DaChan Food (Asia) Limited
大成食品(亞洲)有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Code : 3999

Annual Report 2010

Sisters' Kitchen

Transparent origins
Ensuring Safety

Contents

Corporate Profile

DaChan Food (Asia) Limited (the "Company" or "Dachan") is a conglomerate with operations in the People's Republic of China ("PRC"), Vietnam and Malaysia. The Company's stock has been listed on the Hong Kong Stock Exchange since 2007. The Company, along with its subsidiaries and its jointly-controlled entities (collectively the "Group") is a leading vertically integrated provider of animal protein whose products range from advanced formulation of animal nutrition for swine, poultry and aquatic to ready-to-eat processed foods for end users.

The Group has more than 30 factories across the PRC, Vietnam and Malaysia, and is a provider of animal feeds mainly under the "DaChan" (大成) and "Dr. Nupak" (補克博士) brands, and chicken meats and processed foods mainly under "Sisters' Kitchen" (姐妹廚房) brand.

The Group distributes its products through well known domestic and international chain stores, distributors, supermarkets as well as the Group's own retail outlets and deli stores. The Group also maintains sales offices in strategic locations in the PRC to coordinate sales and marketing activities. Leveraging its established and comprehensive sales channels, the Group is well positioned for rapid growth.

The Group attaches the highest importance to its food product's quality. The Group's quality control efforts have earned it numerous industry awards and recognitions. In 2009, the Group launched a pioneering product tracing system for its "Sisters' Kitchen" products which enables consumers to trace product information such as the name of the farmer and location of the chicken farm, as well as the feeds it uses.

The Group constantly develops new and value-added products with the aid of the latest food science and technology. By responding to the ever-changing needs of the market in a timely manner, the Group has greatly enhanced its level of service to customers.

Mission

To become a dominant player in the feeds, chicken meat and processed foods markets with commitments to product safety, reliability and quality.

Competitive Advantages

- Market leader with well known brand names
- Highly integrated and efficient business model
- Stringent quality control to the highest standards
- Stable and long-standing relationship with nationally and internationally renowned customers
- Scalable production capability with facilities in strategic locations across the PRC, Vietnam and Malaysia
- Experienced and committed management team

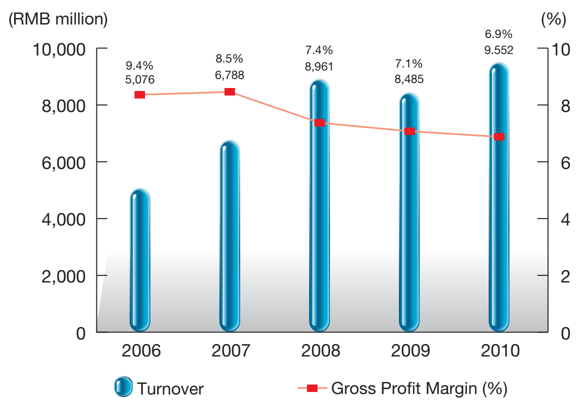
Financial Highlights

Year ended 31 December 2010

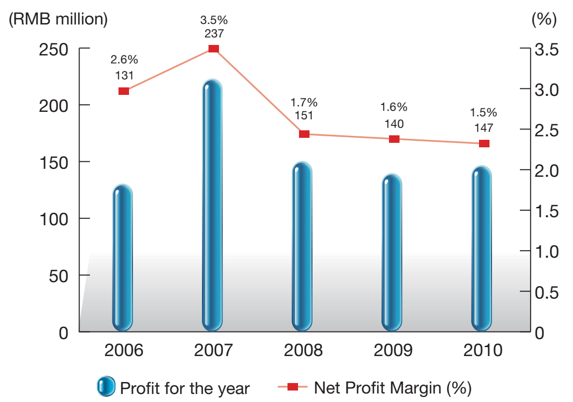
RMB'000	2010	2009	Changes
Turnover	9,551,759	8,484,757	12.58%
Profit attributable to owners of the Company	109,382	108,053	1.23%
Total assets	3,058,456	2,809,152	8.87%
Net assets	1,832,594	1,762,525	3.98%
Basic earnings per share (RMB)	0.11	0.11	–
Return on total assets (%)	4.79%	4.97%	-3.66%
Return on equity (%)	8.00%	7.93%	0.88%
*Gearing ratio	14.7%	11.4%	29.47%
Net assets per share (RMB)	1.82	1.75	2.34%

* Gearing Ratio = Interest bearing debt/Average net assets

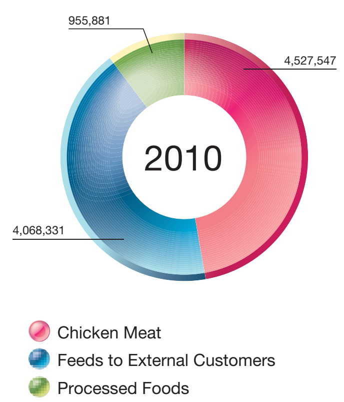
Turnover and Gross Profit Margin



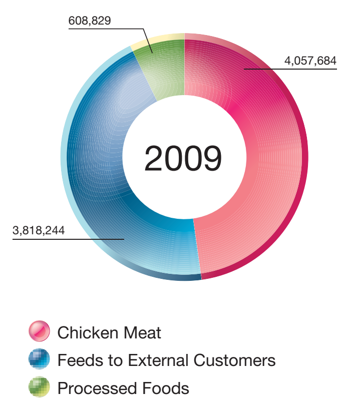
Net Profit & Net Profit Margin



Turnover by Business Segment



Turnover by Business Segment



Chairman's Statement

Han Jia-Hwan Chairman

Dear shareholders,

The Group is always committed to the building of supply chains for animal protein products in pursuance of its vision of "becoming the most respected food enterprise in the world, to promote a win-win situation between upstream and downstream parties of related interests, to contribute to the nutrition and health of human beings and provide green and sustainable foods for the people". With its business nurtured in mother nature, the Group made its road to success through diligence and faith and has developed into a leading enterprise among animal protein products suppliers in Mainland China.

In light of severe shortage in the supply of pork, the PRC government granted the swine farming industry with considerable subsidies in 2008 as an impetus to its growth. The support on one hand alleviated the shortage of pork in the market but at the same time resulted in excessive supply during the period from 2009 to the first half of 2010. The dropping price of pork was accompanied by a continuous decline in the price of swine feeds from approximately 10 to approximately 5. The situation gradually improved in the second half of 2010 when the price of pork started to rebound in a steady pace which in turn helped push up the price of chicken meat.

As pork was the main source of meat products for consumption in the PRC market, the downturn of the pork market had a direct impact on the chicken meat market. The chicken meat business of the Group was therefore faced by a challenging environment in the first half of 2010. Despite of the rapid rebound in the second half of the year, the overall performance for the year was less satisfactory. Nevertheless, our feeds business still attained a steady growth in spite of the substantial rise in the prices of raw materials. With the rapid development of the branded foods business as well as the concerted efforts of our staff at all levels, we still achieved a turnover for the year of RMB9,551.76 million and gross profit was RMB658.03 million. The price of chicken meat is expected to grow steadily in 2011 and we hold a prudent yet optimistic attitude towards the market situation.

In view of the similar consumption patterns between the markets of PRC and Taiwan which are both targeted at the Chinese population, the per capita consumption of animal protein products (i.e. pork and beef) in these markets are very close, while the difference was more notable in the consumption of chicken meat. The per capita consumption of chicken meat in the Taiwan was approximately 25 kg while that in PRC was approximately one half of that in Taiwan. We believe that, along with the economic development, the chicken meat market in the PRC will have ample room for growth. Furthermore, as there was no other suppliers in the domestic market focusing on branded products, our branded food products business therefore captured the business opportunities. In 2010, the Group continued to further consolidate our penetration into the processed food product market in the PRC and our efforts were dedicated to the expansion of our branded business.

Along with the accelerated process of urbanization in Mainland China, larger supermarket chains have become the core of household consumption. Consumers' demand for a brand of safety guaranteed also contributed to the development of the trend. Our "Sisters' Kitchen" products have successfully tapped into numerous outlets of renowned international and domestic chain channels. In particular, our food security tracing system that allows consumers to access the whole production process from farm level to food table as well as the relevant information has earned wide acceptance and recognition of the reliability of our product. As for the consumer market, we introduced branded products of consumer-pack chicken meat in 2010 and attained positive feedback from the market. In 2011, we will continue to introduce more high value-added products that meet the market demand. We believe that consumers will embrace our products with passion. Besides, the Group also attach much importance to the development of branded food in the specialized market of catering services, factories, colleges, snacks and light meals, and we have witnessed rapid growth in the field.

In 2010, the Group in particular established a live poultry business department within the chicken meat segment to proactively develop the live poultry business into a major source of revenue of our vertical integration production chain. We promoted our sales of feeds through improving the facilities of our farming bases and expanding our farming scale. Apart from these, we also proactively consolidated our resources by way of strategic cooperation to enhance the operating efficiency of chicks farming. Meanwhile, through the use of biological hi-tech feeds, we effectively improved the digestion system of chicken for better feed absorption and immunity. This allowed us to mitigate the risk arising from the use of medicine and ensure the quality of the chicken meat products related to our vertical integration business chains, resulting in substantial enhancement of our operating efficiency.

Notwithstanding the high cost of raw materials of feeds in 2010, the Group still attained steady growth in the feeds business through optimizing our sales channels and strengthening the operation of our core products. As for the Vietnam and Malaysia markets, leveraging the rising reputation of our brand, our feeds business continued to grow steadily and maintained its leading position in both markets.

In order to improve our operating efficiency as well as our cost advantages, the Group implemented a cost control project in 2010. Through improving the utilization rate of raw materials and developing alternative raw materials or formula to enhance our cost efficiency, we maintained our competitive edge. At the same time, the Group established the DaChan Leadership College to provide more training and education to our staff and in turn develop the Group into an ever-learning organization. We will also enhance the overall quality and competitiveness of our team, and optimize the operating efficiency of the organization.

To strengthen our research and development capability and offer more qualified high value-added products to the market, we established the "Prospective Animal and Bio-technology Research Center" in the feeds business in 2010 with an objective to research and develop prospective hi-tech functional feeds. We also developed biological hi-tech feeds products that meet the needs of the market and introduced functional feeds containing BNF elements which help promote the digestion system of animals through pre-digestion and boost their immunity and disease resistance while keeping the cost of production low. Besides, we established the "Outstanding Foods and Life Research Center" for our processed foods business, aiming at introducing a new life style and form of food. This will provide the market with some healthier and more featured high value-added products which will differentiate us from other suppliers in the industry and bring us the competitive edge from such differentiation.

Being a responsible corporate citizen, the Group recognizes the importance of attaining harmony with the environment. In 2010, we completed the carbonation testing for the Group and our products, we were accredited the SGS Certificate from Switzerland and became the first foods corporation being accredited these two certifications in the PRC. We are presently formulating a carbonation neutralization plan on the basis of the above data so as to compensate for the green house gases generated from our production through appropriate means. In addition, the Group has proactively planned to apply new technology to develop low-carbon economy on the existing basis for effective reduction of green house gases emission.

Chairman's Statement

In 2010, the PRC government's Central Economic Work Conference has formulated a consumption-boosting policy for 2011 which highlighted the expansion of domestic demand, in particular focusing on increasing household consumption needs. The initial step of stimulating domestic demand and expanding consumption under the 12th Five-Year Plan has kicked off. Along with the economic growth in the PRC, the acceleration of urbanization and the enhancement of consumer spending in the domestic market, we believe that the chicken meat market will be opened to a valuable development opportunity. We will certainly capitalize on this opportunity and continue to develop the brand of quality foods with high safety standard. We will also strengthen our operation of retail and supermarket channels and promote our brand for increased brand recognition. To further consolidate our leading position in the market, we will also optimize the product mix of feeds and processed foods and enhance our research capability while raising the proportion of our high value-added products.

On behalf of the Group, I would like to extend my gratitude to our shareholders, customers, business associates and staff of the Group for their support.

Han Jia-Hwan
Chairman

Hong Kong, 25 March 2011

Corporate Social Responsibility

Being a highly responsible corporate entity, DaChan Food (Asia) Limited ("DaChan Food" or "the Group") is fully committed to green and sustainable practices in order to ensure that all operations and business expansion pursuits are conducted in harmony with nature and not at its expense. In view of the growing threat posed by global warming, the Group strongly believes that it is the ethical responsibility of every enterprise to take the steps necessary to reduce carbon emissions. As such, DaChan Food is one of China's pioneering corporations, in particular, within the food industry, to not only embrace the idea of cultivating a low-carbon economy in the PRC but also proactively drives green initiatives.

In the first half of the year under review, DaChan Food invited external professional organizations to conduct a carbon assessment, in other words, to measure the greenhouse gas emissions, of the Group during the previous year, making Dachan Food the first food enterprise in China to commission an assessment on the environmental impacts of its business on a voluntary basis. According to the assessment, DaChan Food's carbon emissions in 2009 were estimated to be approximately 159,000 tonnes, and the main source of these emissions was electricity consumption, accounting for 99.94% of the total emission volume. In addition, other emission sources included fuel combustion due to vehicles and power generators and chicken waste emissions. DaChan Food was found to be within several international carbon assessment standards, namely, the GHG Protocol, developed by the World Resources Institute and the World Business Council for Sustainable Development, and ISO 14064-1, set out by the International Organization for Standardization, and the Group has decided to formulate a carbon neutralization plan, whereby it will appropriately offset any future greenhouse gas emissions.

In the second half of the year under review, DaChan Food once again cooperated with third party professional organizations. This time, however, to assess the carbon footprint of the chilled and frozen chicken meat produced by the Group. According to the findings, DaChan Food had a carbon emission of 220 grams for every 100 grams of chicken meat produced, and this emission was made up of carbon emissions created in the production of chicken feeds, which are required to feed poultry, and energy consumption during chicken meat-product production and transportation. DaChan Food's carbon footprint assessment has been certified by the Swiss certification institute SGS, and DaChan Food is planning to label the products with carbon footprint information to promote awareness of the importance of environmental protection among consumers.

Moreover, DaChan Food has effectively lowered greenhouse gas emissions through the utilization of new technologies to develop a low-carbon economy. For instance, Dachan Food specially constructed, next generation, 'green' chicken farms have greatly lowered carbon dioxide emissions through the adoption of higher insulation standards, the use of low-energy-consumption boilers, energy-saving lighting and better ventilation methods Meanwhile, DaChan Food is also actively researching how to utilize new and innovative energy-saving modes, in cooperation with relevant professional energy-saving companies, so as to further lower the volume of greenhouse gas emissions of the Group as a whole.

Operational Excellence

Management Discussion and Analysis

From left to right (Back row): Han Jia-Hwan *(Chairman)*, Huang Shih-Kun *(Chief Executive Officer)*, Shu Edward Cho-Shen *(Executive Director)*, Chen Fu-Shih *(Executive Director)*
From left to right (Front row): Ou Chang-Jou *(Chief Operation Officer)*, Chen Li-Chin *(Chief Finance Officer)*, Lee Yi-Ming *(Vice Chairman)*

	2010	**2009**	**change**
Turnover (RMB'000)	9,551,759	8,484,757	12.6%
Gross profit (RMB'000)	658,028	599,663	
Gross profit margin (%)	6.9	7.1	9.7%
Profit attributable to shareholders of the Company (RMB'000)	109,382	108,053	1.2%

Throughout the year 2010, the Group has implemented a series of measures to cope with the changing external operating environment. Under the significantly increase of prices of raw materials and labor cost and the prices of chicken meat being affected by the lower prices of pork, we succeeded to improve our operating conditions.

In 2010, the Group recorded a turnover of RMB9,551,759,000, representing a 12.6% growth over the previous year. During the period, the turnover of the three main business segments grew steadily. The segments of chicken meat and feeds remained the Group's largest turnover contributor, accounting for 47.4% and 42.6% of the Group's total turnover respectively. Driven by the strong surge in 2009, the overturn of processed foods kept a rapid growth of 57% over the past year, becoming the Group's major source of revenue.

During the period, the Group's gross profit up 10% to RMB658,028,000 while gross profit margin decreased slightly by 0.2% due to higher raw material costs. Profit attributable to shareholders of the Company was up 1.2% to RMB109,382,000.

Food Safety, Traceability

Chicken Meat

	2010	2009	change
Turnover (RMB'000)	4,527,547	4,057,684	11.6%
Gross profit (RMB'000)	106,117	60,734	74.7%
Gross profit margin (%)	2.3	1.5	

This segment composed of three businesses: sales of chilled and frozen chicken, feeds to contract farmers and chicks to contract farmers. Sales of chilled and frozen chicken are marketed under "DaChan" and are supplied to quick service restaurants, restaurant operators, food processors and other food service providers.

During the period, benefiting from the steady demand from major domestic clients, sales of chilled and frozen chicken and feeds to contract farmers recorded a satisfactory growth. The Group continuously expanded its customer base through greater efforts on marketing and products portfolio diversification. The chicken meat segment recorded overturn of RMB4,527,547,000 in 2010, which grew by 11.6% as compared with that of the previous year.

In the first half of the year, the price of pork dropped rapidly due to over supply in the market and in turn affected the prices of chilled and frozen chicken. However, the average selling prices of chilled and frozen chicken recorded a rebound along with the prices of pork and a higher gross profit margin in the fourth quarter of the year, leading to a substantial increase in gross profit by 75% to RMB106,117,000, and gross profit margin increased to 2.3%.

Feeds to External Customers

	2010	2009	change
Turnover (RMB'000)	4,068,331	3,818,244	6.5%
Gross profit (RMB'000)	432,887	452,777	-4.4%
Gross profit margin (%)	10.6	11.9	

The revenue of the segment primarily derived from the sales of different types of feeds to China, Vietnam and Malaysia. Corn and soybean meals are the key raw materials for our feeds.

The segment continuously recorded a steady growth of operating income. One of the main reasons was the Group's continued efforts in the development of functional feeds. In light of the rising concern for the immunity function of feeds, our products were specially designed and formulated. The high-technology feeds could enhance the immunity and disease resistance of piglets, sows, hogs and poultry. At the same time the market penetration of our products and our brand awareness were further enhanced, and the industry's markets in mainland China and overseas have been further consolidated during the past year. In view of this, the Group has promoted the sales of larger poultry and swine farms to enlarge and stabilize our sales volume. Through the enhancement of the standard of our research and sales teams, the Group strengthened the direct sales during the year and in turn laid a solid foundation for our provision of a diversified product mix of quality.

Due to the substantial increase in the prices of major raw materials such as corn, coupled with a decrease in demand for swine feeds under the impact of epidemic diseases which in turn affected prices of swine feeds, the gross profit of the feeds segment was down 4.4% to RMB432,887,000 and the gross profit margin dropped to 10.6%.

Processed Foods

	2010	2009	change
Turnover (RMB'000)			
– Mainland China	693,411	419,820	65.2%
– Export	262,470	189,009	38.9%
Total	955,881	608,829	57%
Gross profit (RMB'000)			
– Mainland China	81,487	57,079	42.8%
– Export	37,537	29,073	29.1%
Total	119,024	86,152	38.2%
Gross profit margin (%)			
– Mainland China	11.8	13.6	
– Export	14.3	15.4	
Total	12.5	14.2	

The processed foods business involves the distribution of chilled and frozen meat under the "Sisters' Kitchen" brand, and marinated, pre-fried and ready-to-eat foods. The products are sold in the PRC market and exported to overseas markets such as Japan, Singapore and Hong Kong.

Along with the acceleration of the urbanization in PRC and the rising consumption level, driven by the enhancement of our product mix and diversified sales channels and the promotion of our branded business, the processed foods segment recorded a turnover of RMB955,881,000, accounting for 10% (2009: 7.2%) of the Group's total turnover. The segment recorded a significant growth of 38.2% to RMB119,024,000 and became one of the major sources of our revenue under the rapid expansion of the segment. However, as the production capacity of the newly established production plant in Tianjin was not in its full use, the production cost increased and led to a slight drop of the segment's gross profit margin to 12.5%.

The Group continuously expanded its market share in China through optimizing sales channels and strengthening the promotion of "Sisters' Kitchen" brand. The Group introduced a second generation safety code which kept earning the recognition of our customers. The new code not only gives the customer access to information such as the source of feeds, locations of the farm and the processing plant, test results, but also includes a picture of the farmer. Sales to supermarkets grew impressively in 2010 from the last year. Our branded products are carried by major supermarket chains in first tier cities like Beijing, Shanghai, Nanjing, and Tianjin, in addition to catering services and hotels in new markets such as Wuhan, Chengdu, Shandong, Fujian and Heilongjiang.

During the year under review, the Group's export business attained significant growth. Our extension to the market in Japan improved in a steady pace and we have successfully put our branded products on the shelves of most major supermarket chains and convenient store chains, such as the largest chains 7-11 in Japan. The overturn of our export business reached RMB262,470,000 with a growth of 38.9% over the previous year, while the gross profit of our export recorded a substantial rise of 29.1%, representing a splendid performance of the Group.

Awards and Recognitions

In 2010, DaChan was awarded the honors of "Top 20 Chinese Broiler Enterprises" and "Top 50 Feed Enterprises in China" by the relevant industry associations and "Safety Foods For Decade" by a magazine Business Times. As for corporate social responsibilities, DaChan was awarded "Excellent CSR Competitive Forces in China" and "Top Ten Chinese Enterprises of Innovation and Promotion of Environment and Climate Industry for the Year". Mr. Han Jia-Hwan, the president of the Board, was also awarded "Top 10 Best Chinese Broiler Enterprises" as well as "Influential Enterprises in the Food Industry". The subsidiaries of DaChan were also awarded prizes and honors by numerous local governments. During the year, DaChan was awarded Vietnam Quality Products Award by the Sai Kung Marketing News Agency in Vietnam.

Outlook & Future Plans

We expect a further growth in the market demand for chicken meat due to rising living standards. We also expect a higher consumption level which will continue to stimulate the prices of chicken meat. We will also closely monitor and manage our exposure to fluctuations in market prices, and enhance the promotion of our brand on the existing basis and enlarge the product value difference for our customers. We will also reduce the processing cost through technology improvement and stringent management. In light of the rising cost of raw materials, the Group will focus on improving production efficiency and increasing utilization rates to consolidate our competitive edge and enlarge our market penetration as well as our sales volume.

In addition, the Group will further strengthen the development of the live poultry business department under the segment, improve the facilities of farming bases and enlarge the farming scale to promote our sales of feeds. We will concurrently ensure the quality of chicken meat products and enhance our operating efficiency through the application of hi-tech biological feeds and in turn strive to develop the department into one of the most profitable part of our one-stop production chain of chicken meat.

Driven by the huge demand for meat, the demand for feeds is anticipated to increase. Along with the rapid growth of the export of aquatic food products in Vietnam, the Group will proactively tap into the market. We expect the sales of our feeds to create steady growth of revenue for that segment in 2011.

Looking ahead, more stringent requirements for the standards of swine farms provided the suppliers of quality feeds with larger room for further growth. The Group will continue to promote our expansion in large chick and swine farms for the purpose of stable sales, higher products prices and improved gross profit of feeds. Meanwhile, we will proactively develop and make use of biological technology products, in particular the functional products for immunity enhancement, and focus on operating our core products such as sows, piglets and chicks feeds to promote the back-end market by our hit products.

Management Discussion and Analysis

Promotion of our brand will become one of our key strategies. Coupled with the continuous development of excellent functional products, the reputation and position of our products in the market will continue to rise, and in turn further consolidate the leading position of DaChan in the feeds markets in countries such as China, Vietnam and Malaysia.

In the past year, processed foods, which have higher gross profit, have become a more and more crucial impetus to our growth. The Group will capitalize on the huge potential growth in PRC market, correspond to the development of new products, optimize our product mix and focus on developing the higher valued processed products. The differentiated competitive edge therefore formed will further enhance our gross profit margin and lay a foundation for the sustainable development of the segment. The completed new processing plant in Tianjin will be equipped with advance facilities which serve as a comprehensive preparation for our rapid expansion in China.

For the export market, the Group will continue to enlarge our market share in the existing markets in Japan, Singapore and Hong Kong. We will also proactively improve our sales to hotel chains, supermarkets and convenient stores to further broaden our customer base.

The Group will continue to extend our coverage among cities and expand the distribution channels of hotel chains, supermarkets and convenient stores in attempt to strengthen the penetration and enlarge the market share of the segment's products in China's market and to achieve rapid expansion. Concurrently, we will further promote our brand and consolidate the recognition and reputation of our branded products among consumers.

Looking ahead, the Group will continue to put more effort in the development of the Chinese market. As the economy of China grow steadily and the standard of consumption raised, the market demand for high-quality and healthy meat products will further increase. The Group will further expand and improve our sales channels, diversify our product portfolios and strengthen brand promotion.

Financial Review:

1) Other Income and Operating Expenses

In 2010, other income of the Group amounted to RMB10.62 million (2009: RMB7.21 million). Other income mainly comprised interest income, net gains from futures, net gains on disposal of fixed assets and government grants. The increase in other income was mainly due to the increase of government grants.

In 2010, other net income of RMB7.03 million (2009: RMB15.37 million) was recorded. Other net income mainly includes other non-operating net income such as the net gains on disposal of fixed assets, etc.

Distribution costs accounted for 2.6% of total turnover, up from 2.5% in 2009.

Administrative expenses accounted for 2.6% of turnover (2009: 2.6%).

In 2010, other operating expenses of the Group was RMB2.23 million (2009: RMB5.34 million). This was mainly due to the net exchange loss arising from the deprecation of Vietnamese Dong ("VND").

2) **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2010, the Group's cash and bank deposit balances amounted to RMB408.97 million, representing an increase of RMB40.73 million from 2009. Bank loans increased by RMB69.65 million to RMB265.14 million (2009: RMB195.49 million). The Group had a net cash position of RMB143.84 million (2009: RMB172.76 million). Debt to equity ratio was 14.7% (2009: 11.4%). Current ratio was maintained at a healthy level of 1.5 times (2009: 1.6 times).

3) **Capital Expenditure**

In 2010, the Group's capital expenditure on the acquisition of properties, machinery and equipment amounted to RMB145.52 million which was primarily paid from internal resources and funds.

4) **Exchange Rate**

The Group's business transactions are mainly denominated in USD, RMB and VND. During the year under review, VND against USD depreciated by 5.55%, which had impacted on (not clear what exactly was impacted) import of raw materials of the Group's subsidiary companies in Vietnam.

5) **Interest Rate**

In 2010, the Group's interest expense amounted to RMB15.45 million (2009: RMB12.42 million), a rise of 24% from 2009. The increase in interest expense was primarily due to an increase in bank loans from RMB195.49 million in 2009 to RMB265.14 million in 2010.

6) **Dividends**

The Board proposed a final dividend of HK4.00 cents (2009: HK2.80 cents) per share, amounting to approximately RMB34.419 million (2009: RMB24.57 million) in total, to shareholders whose names appear on the share register on 24 June 2011. The proposed final dividend will require the approval of shareholders at the Group's Annual General Meeting to be held on 24 June 2011.

7) **Charge on Assets**

As at 31 December 2010, the Group pledged assets worth RMB30.14 million in land, property, plant and equipment as security against bank facilities of RMB95.42 million, of which RMB10.71 million had been utilized as at 31 December 2010.

8) **Capital Commitment and Contingent Liabilities**

As at 31 December 2010, the Group's total capital commitment amounted to RMB94.45 million (2009: RMB162.11 million). The Company is not aware of any material contingent liabilities or off-balance sheet obligations as at 31 December 2010.

Employee Compensation and Training

As at 31 December 2010, the Group had a total of 14,020 employees (31 December 2009: 14,013). In order to attract and retain talent for the business the Group offers competitive remuneration packages to its staff with reference to industry practice, the financial performance of the Group and the employee's own work performance. The Group sees its staff as its most valuable asset and places great emphasis on their training and career and personal development. With a view to further enhance their job skills and industry knowledge the Group has offered various training programs to its management staff and other employees. The Group believes that these programs not only help its staff grow professionally they will also ultimately benefit the Group's long-term development as a result of having a more skilled and loyal workforce.

The Group regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees so as to offer fair and competitive compensation packages to employees. Other fringe benefits, such as insurance, medical benefits and provident fund, are provided to retain loyal employees.

Directors and Senior Management Profile

Directors

Executive Directors

Mr. Han Jia-Hwan (韓家寰), aged 55, is the Chairman of the Company since 2007. He is also a member of the remuneration committee, nomination committee and the Chairman of the executive committee since 2007. He is responsible for the overall corporate strategies, planning and business development of the Group.

Mr. Han has over 30 years of experience in feeds and food production business in the Asia Pacific region. In recognition of his contributions to the agricultural industry, Mr. Han was one of the Ten Outstanding Young Persons (十大傑出青年) in Taiwan in 1994. Mr. Han received his bachelor's degree in business administration from National Cheng-chi University (國立政治大學) and a master's degree in business administration from the University of Chicago in 1977 and 1983 respectively. He is a brother of Mr. Han Chia-Yau and Mr. Harn Jia-Chen.

Mr. Shu Edward Cho-Shen (許卓勝), aged 60, is an executive Director and a member of the executive committee of the Company effective on 12 March 2010. Mr. Shu obtained a Bachelor's degree in Science from National Taiwan University and a Master's degree in Finance from University of Illinois, USA. Before he joined the Company, he had been an actuarial director of WellPoint Inc., the largest health care carrier in USA. Mr. Shu has over twenty-five years' experience in actuarial field and had assumed senior position in various health care companies. Before entering into the actuarial field, Mr. Shu was a manager and financial officer of Great Wall. Mr. Shu is a brother-in-law of Mr. Han Jia-Hwan.

Mr. Chen Fu-Shih (陳福獅), aged 60, is an executive Director of the Company and a member of the executive committee of the Company . Mr Chen has over 23 years of experience in meat processing and feeds industry.

Mr. Chen obtained a bachelor's degree in agronomics from the National Chung-Hsin University (國立中興大學) in 1973.

Non-executive Directors

Mr. Chao Tien-Shin (趙天星), aged 64, is an non-executive Director of the Company since 2007 and the chairman and a director of Qiao Tai Xing Investment Co. Ltd. He is also the chairman and director of both Bright View Electronics Co. Ltd., (致福投資股份有限公司) and 中經合全球創業投資股份有限公司 and a supervisor of Red Cross Organization (Regional Operations Centre).

Mr. Chao graduated from Tamkang University (淡江大學) with a bachelor's degree in irrigation engineering with extensive business management experience in both the information technology industry and traditional industries, such as food and services.

Directors and Senior Management Profile

Mr. Han Chia-Yau (韓家宇), aged 61, is a non-executive Director of the Company and a member of the remuneration committee of the Company since 2007. Mr. Han is also the chairman of Great Wall Enterprise since 2001. He joined Great Wall Enterprise in 1992. Since 1992, he has been a director of Great Wall Enterprise. From 1993 to 2001, he was the vice chairman of Great Wall Enterprise.

He obtained a bachelor's degree from Chung Yuan Christian University (中原大學) and a master's degree in science from the University of Connecticut in 1973 and 1981 respectively. He is a brother of Mr. Han Jia- Hwan and Mr. Harn Jia-Chen.

Mr. Harn Jia-Chen (韓家宸), aged 56, is a non-executive Director of the Company and a member of nomination committee of the Company since 2007. Mr. Harn is also the vice chairman of Great Wall Enterprise. Since 1995, he has been the chairman of 大成食品(天津)有限公司 (Great Wall Food (Tianjin) Co., Ltd.), a subsidiary of Great Wall Enterprise engaged in flour production. Since 2001, he has been the chairman of 北京大成永和食品有限公司 (Great Wall Yung Huo Food (Beijing) Co., Ltd.). Since 1999, he is the chairman of Great Wall Food (Tianjin) Co., Ltd.. From 1997 to 2006, he was the director of 大成食品(蛇口)有限公司 (Great Wall Food (Shekou) Co., Ltd.). Since 2006, he is the chairman of Great Wall Food (Shekou) Co., Ltd. From 2003 until present, he is the chairman of 大成昭和食品(天津)有限公司 (DaChan Showa Food (Tianjin) Co., Ltd.). In May 2006, he was elected as the director of Taiwan Asset Enterprise Association of Tianjin (天津市台灣同胞投資企業協會). From April 2007 to May 2010, he was elected the vice-chairman of the Association of Taiwan Investment Enterprises on the Mainland. From May 2010 until present, he is the standing vice-president of the Association of Taiwan Investment Enterprises on the Mainland.

He obtained his master's degree in business administration from the University of New Haven in 1986. He is a brother of Mr. Han Jia-Hwan and Mr. Han Chia-Yau.

Mr. Nicholas William Rosa, aged 58, is a non-executive Director of the Company since 2007 and is also a director of Continental Enterprise Ltd.

Mr. Rosa has been in the agricultural industry, particularly the poultry business, for over 30 years. He joined the animal feed division of Continental Grain Company in 1975, and held positions in credit, marketing and sales management, prior to becoming vice president and general manager of Wayne Feed Division in Chicago, Illinois. In 1997, he became the vice president of International Industries for Continental Grain Company in New York. He relocated to Beijing, China in 2007 and became the senior vice president and managing director of ContiAsia division of Continental Grain Company. Mr. Rosa was the director and a member of the executive committee of the American Feed Industry Association from 1997 to 2000 and has been a director of several poultry companies in Europe and South America.

Mr. Rosa received his bachelor's degree in economics in 1974 and a master's degree in business administration in 1975, both from Arizona State University.

Independent non-executive Directors

Dr. Chen Chih (陳治), aged 57, is an independent non-executive Director of the Company, the Chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company since 2007. Dr. Chen served as the president of GE Medical Systems China since 1996 and was promoted to vice president of General Electric Company since November 2001. He retired from General Electric Company in 2009.

Dr. Chen received his Ph.D. degree in mechanical engineering from Lehigh University in 1984.

Mr. Liu Fuchun（劉福春）, aged 64, is an independent non-executive Director of the Company, the Chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company since 2007. Mr. Liu is also an independent director of China Aviation Oil (Singapore) Corporation Ltd, which is listed on Singapore Stock Exchange. He has more than 21 years of experience in international trade and management and has worked in Europe for several years.

Mr. Liu obtained his Institute Certificate for the English program from Beijing Institute of Foreign Trade（北京外貿學院）in 1975.

Mr. Way Yung-Do（魏永篤）, aged 65, an independent non-executive Director of the Company, the Chairman of the audit committee and a member of the nomination committee and the remuneration committee. Mr. Way has over 35 years of experience in financial advisory, accounting and auditing and have worked for two international accounting firms for over 29 years and was retired in 2007.

Mr. Way graduated from Soochow University（東吳大學）with a bachelor's degree in accounting and obtained a master's degree in business administration from the University of Georgia. He is also a certified internal auditor of the Institute of Internal Auditors.

Senior Management Team

Mr. Huang Shih-Kun（黃士坤）, aged 63, is the Chief Executive Officer of the Company. He is also a member of the executive committee of the Company. He is responsible for the overall operation and policy formulation of the Group. He has over 30 years of experience in business management, in which more than 18 years in food industry. Prior to joining the Group, he worked in Tingyi (Cayman Islands) Holding Corp as a vice president and the general manager of beverage business division from 2001 to 2002.

Mr. Huang obtained a college degree in technology from Cheng Shiu University in 1970.

Mr. Ou Chang-Jou（歐倉舟）, aged 59, is the Chief Operation Officer of the Company. He is also a member of the executive committee of the Company. He is responsible for the Group's overall operation and management. He has over 27 years of experience in commodity procurement and trading business operation.

Mr. Ou obtained a bachelor's degree in business management from the National Cheng-Kung University（國立成功大學）in 1974.

Ms. Chen Li-Chin（陳禮琴）, aged 53, was appointed as the Chief Finance Officer of the Company on 16 February 2009. She is also a member of the executive committee of the Company. She is responsible for the Group's overall financial management, capital planning and allocation and investor relationship. Prior to joining the Company, she was the Vice President of TSRC Corporation, a listed company in Taiwan. She had over 20 years of experience in finance and investor relationship, with senior roles of large and renounced multinational corporations, including Intel Microelectronic（美商英特爾亞太科技有限公司）, Johnson & Johnson Medical and Siemens Telecommunication System.

Ms. Chen is an EMBA holder in National Taiwan University（國立台灣大學）.

Mr. Lee Yi-Ming（李益銘）, aged 50, is a Vice President of the Company. He is also a member of the executive committee. He is responsible for meat business in the PRC. He has over 20 years of experience in meat industry. Mr. Lee obtained a bachelor's degree in industrial engineering from the Chung Yuan Christian University（中原大學）in 1983. He graduated from National Cheng Kung University（成功大學）in 1990 with a EMBA.

Corporate Governance Report

The board of directors (the "Board") of the Company is pleased to present the Corporate Governance Report for the year ended 31 December 2010.

The Board is committed to enhancing the Group's corporate governance standards by improving corporate transparency through effective channels of information disclosure. The Board believes that good corporate governance is beneficial for maintaining close and trustful relationships with its employees, business partners, shareholders and investors.

Code on Corporate Governance Practices

The Board adopted the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2010.

The Board

(1) The Board of Directors

The Board currently comprises 10 directors, 3 of whom are executive directors, 4 are non-executive directors and 3 are independent non-executive directors ("INEDs"). The composition of the Board is set out as follows:

Executive directors:	Han Jia-Hwan *(Chairman)*
	Chen Fu-Shih
	Shu Edward Cho-Shen *(appointed on 12 March 2010)*
	Chang Tiee-Shen *(retired on 12 March 2010)*
Non-executive directors:	Chao Tien-Shin
	Han Chia-Yau
	Harn Jia-Chen
	Nicholas William Rosa
Independent non-executive directors:	Chen Chih
	Liu Fuchun
	Way Yung-Do

The biographies of the directors are set out in the "Directors and Senior Management" section on pages 17 to 19 of this annual report.

The members of the Board are responsible to the shareholders for formulating the overall business development targets and long-term company strategies, assessing results of management policies and monitoring performance of the management.

The non-executive directors play an important role on the Board. Accounting for more than half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole.

Pursuant to the Listing Rule 3.13, the Group has received written confirmations from each INED of his independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Listing Rules.

Save as disclosed in the Directors and senior management profile of this annual report, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

The directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

During 2010, the Board held 4 regular meetings and no additional meeting was held during the year.

The attendance records of each director at the said Board meetings are set out below:

Directors

	Regular Board Meetings
Executive Directors	
Han Jia-Hwan *(Chairman)*	4/4
Chen Fu-Shih	1/4
Shu Edward Cho-Shen *(appointed on 12 March 2010)*	3/3
Mr. Chang Tiee-Shen *(retired on 12 March 2010)*	n/a
Non-executive Directors	
Chao Tien-Shin	3/4
Han Chia-Yau	3/4
Harn Jia-Chen	2/4
Nicholas William Rosa	3/4
Independent Non-executive Directors	
Liu Fuchun	4/4
Chen Chih	4/4
Way Yung-Do	4/4

(2) Management Functions

The types of decisions which are to be taken up by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan including major production and marketing plans, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and the cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

(3) Appointment, Re-election and Removal

Under article 108 of the Company's Articles of Association, at each annual general meeting, not less than one-third of the directors for the time being shall retire from office by rotation and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring directors shall be eligible for re-election. Any director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further directors so to retire shall be those who have been longest in office since their last re-election or appointment.

Under the Code Provision A4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

In accordance with the said provision of the Articles of Association and the Code Provision A4.1, the following re-election arrangement was made in the annual general meeting held on 28 May 2010:

- Mr. Shu Edward Cho-Shen, being the executive director, was re-elected.
- Mr. Han Chia-Yau and Mr. Harn jia-Chen, being non-executive directors, were re-elected.
- Mr. Way Yung-Do and Mr. Nicholas William Rosa, both being independent executive directors, were elected to hold office until the conclusion of the annual general meeting of the Company to be held in 2011.

(4) Roles of Chairman and Chief Executive Officer

The position of the Chairman is held by Mr. Han Jia-Hwan and the position of chief executive officer was held by Mr. Chang Tiee-Shen until 11 March 2010 and was then temporarily taken up by Mr. Han Jia-Hwan until Mr. Huang Shih-Kun took up the position from 23 April 2010. This ensures a clear distinction between the Chairman's duty to manage the Board and the chief executive officer's duty to oversee the overall internal operation of the Group.

(5) Directors' Securities Transactions

The Board has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all directors who have confirmed that throughout the year ended 31 December 2010, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The directors' interests in shares of the Group as at 31 December 2010 are set out on pages 45 to 46 of this annual report.

Board Committees

The Board has set up 4 Board Committees, namely the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee to oversee particular aspects of the Group's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Remuneration Committee

The Remuneration Committee currently comprises 3 INEDs, 1 non-executive director and 1 executive director, namely:

- Liu Fuchun *(Chairman)*
- Chen Chih
- Han Chia-Yau
- Way Yung-Do
- Han Jia-Hwan

The Remuneration Committee is governed by its terms of reference, which are available at the Company's website at www.dfa3999.com.

The primary functions of the Remuneration Committee include:

- to make recommendations on the establishment of procedures for developing remuneration policy and structure of the executive directors and the senior management;
- to make recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- establishment of a formal and transparent procedure for developing policy on such remuneration;
- reviews and approves the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During 2010, 1 Committee meeting was held on 12 March 2010 which all the current 5 members attended. During the meeting, the Remuneration Committee reviewed and made recommendation to the followings:

- policy of granting share options by the Company; and
- the remuneration packages of directors and senior management.

(2) Audit Committee

The Audit Committee currently comprises 3 INEDs, namely:

- Way Yung-Do *(Chairman)*
- Chen Chih
- Liu Fuchun

The Chairman of the Audit Committee is a professional accountant with profound financial and accounting expertise.

The Audit Committee plans to meet 4 times a year at approximately quarterly intervals to review the truthfulness, completeness, and accuracy of the Group's financial statements. It is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system of internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also oversees the scope of work of external auditors.

The main duties of the Audit Committee include the following:

- review the financial statements and reports;
- review the relationship with the external auditors by reference to the work performed by the external auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors;
- the Group's compliance with statutory and regulatory requirements;
- developments in accounting standards and the effect on the Group;
- review the effectiveness of the system of internal control of the Group;
- proposal to the Board in relation to enhancement of the internal control system of the Group.

During 2010, 4 Committee meetings were held.

The attendance records of each member of the Committee at the said Committee meetings are set out below:

Directors	**Attendance/ Number of Meeting(s)**
Way Yung-Do *(Chairman)*	4/4
Liu Fuchun	4/4
Chen Chih	4/4

During the meetings, the Audit Committee reviewed the following:

- the financial statements for each quarter and the year ended 31 December 2010;
- the accounting principles and practices adopted by the Company;
- statutory compliance;
- other financial reporting matters; and
- internal control system.

Remuneration of Auditors

A summary of audit and non-audit services provided by KPMG, the Company's auditors for the year ended 31 December 2010 and their corresponding remuneration is as follows:

Nature of services	**Amount** (RMB'000)
Audit services	3,901
Non-audit services	
• Tax services	20

(3) Nomination Committee

The Nomination Committee currently comprises 3 INEDs, 1 non-executive director and 1 executive director, namely:

- Chen Chih *(Chairman)*
- Liu Fuchun
- Harn Jia-Chen
- Way Yung-Do
- Han Jia-Hwan

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the INEDs;
- make recommendations to the Board on the appointment or re-appointment of directors.

During 2010, 2 Committee meetings were held.

The attendance records of each member of the Committee at the said Committee meetings are set out below:

Directors	**Attendance/ Number of Meeting(s)**
Chen Chih *(Chairman)*	2/2
Liu Fuchun	2/2
Way Yung-Do	2/2
Harn Jia-Chen	1/2
Han Jia-Hwan	2/2

During the meetings, the Nomination Committee reviewed the following:

- the retirement of Mr. Chang Tee-Shen as executive director and the Chief Executive Officer;
- the appointment of Mr. Shu Edward Cho-Shen as executive director;
- the appointment of Mr. Huang Shih-Kun as Chief Executive Officer.

(4) Executive Committee

The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Group. In accordance with its terms of reference, members of the Executive Committee shall be appointed by the Board from amongst the executive directors and senior management of the Company only. The Executive Committee consists of 7 Members, which include 3 executive directors, the chief executive officer, chief operation officer and the chief finance officer of the Company as members. The Executive Committee currently comprises the following members:

- Han Jia-Hwan *(Chairman and Executive Director)*
- Chen Fu-Shih *(Executive Director)*
- Shu Edward Cho-Shen *(Executive Director)*
- Huang Shih-Kun *(Chief Executive Officer)*
- Ou Chang-Jou *(Chief Operation Office)*
- Chen Li-Chin *(Chief Finance Officer)*
- Lee Yi-Ming *(Vice President)*

Financial Reporting

The Board is responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Internal Controls

The Company has employed its own internal auditors to perform regular and systemic reviews of the Group's internal control system. The reviews provide reasonable assurance that the internal control system continues to operate satisfactorily and effectively within the Group and the Company.

With the assistance of the professional advisers, the in-house internal auditors and the Audit Committee, the Board annually conducts a review on the effectiveness of the Group's internal controls, particularly in respect of the control on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

After the annual review in 2010, the Board is satisfied with the adequacy of the system of internal control of the Company and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Investor Relations

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Company's website at www.dfa3999.com. Viewers can also send enquiries to the Board or senior management by email at investment@dachanfoodasia.com or directly by raising questions at the general meeting of the Company.

Report of the Directors

The Board has pleasure in submitting the annual report together with the audited financial statements for the year ended 31 December 2010.

Principal Activities

The principal activities of the Company are investment holding, and through its subsidiaries, operating a highly vertically integrated business model encompassing feeds production, chicken meat processing and supply of processed foods.

Subsidiaries

A list of subsidiaries together with their places of operations and incorporation and particulars of their issued share capital/registered capital, is set out in note 15 to the financial statements.

Results and Appropriations

The profit of the Group for the year ended 31 December 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 40 to 133. Profits attributable to owners of the Company of RMB109.38 million (2009: RMB108.05 million) have been transferred to reserves. Other movements in reserves of the Group and of the Company are set out on page 45 of the annual report and note 25(d) to the financial statements.

The Board recommends the payment of final dividend of HK4 cents (2010: HK2.80 cents) per share, amounting to approximately RMB34.419 million (2010: approximately RMB24.573 million) in total, to shareholders whose names appear on the register of members on 24 June 2011. The proposed final dividend will be voted by shareholders at the AGM to be held on 24 June 2011.

Share Capital

Details of movements in share capital of the Company during the year are set out in note 25(b) to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Donations

Donations made by the Group during the year amounted to RMB100,000.

Fixed Assets

Details of movements in fixed assets during the year are set out in note 14 to the financial statements.

Bank Loans and Overdrafts

Particulars of bank loans and overdrafts of the Group as at 31 December 2010 are set out in note 22 to the financial statements.

Listing of Shares

The shares of the Company were listed on the Main Board of the Stock Exchange on 4 October 2007.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Han Jia-Hwan (*Chairman*)
Mr. Shu Edward Cho-Shen
Mr. Chen Fu-Shih

Non-Executive Directors:

Mr. Chao Tien-Shin
Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas William Rosa

Independent Non-Executive Directors:

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do

Report of the Directors

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from the listing date of the Company's shares on 4 October 2007 (the "Listing Date") and renewable automatically for successive terms of one year each commencing from the day following the expiry of the then current term unless and until (i) terminated by either party thereto giving not less than three month prior written notice, with the last day of the notice falling on the last day of the initial term or any time thereafter; or (ii) the director not being re-elected as a director or being removed by shareholders at AGM of the Company in accordance with the Articles of Association.

Each of the non-executive Directors and INEDs is appointed for a fixed term of two years. In accordance with the Articles of the Company, Mr. Chen Chih and Mr. Liu Fuchun will retire at the forthcoming AGM and being eligible, offer themselves for re-election. Details of their biographies have been set out in the circular to shareholders in 2011.

Emoluments of Directors and the Five Highest-Paid Individuals

The emoluments of directors and the five highest-paid individuals are set out in notes 8 and 9 to the financial statements.

Directors' Interests in Contracts

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

Restricted Share Award Scheme

The Restricted Share Award Scheme (the "RSAS") was adopted by the Board on 23 December 2008 (the "Adoption Date"). Unless terminated earlier by the Board, the RSAS shall be valid and effective for a term of ten years commencing on the Adoption Date. At 23 October 2009, 910,000 shares were granted by the Company to some directors and senior management staffs, 424,000 and 243,000 of which were vested on 15 December 2009 and 15 December 2010 respectively.

The purpose of the RSAS is to recognize the contributions by certain employees (including without limitation employees who are also directors) of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the terms of the RSAS, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time) to select an employee for participation in the RSAS and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards granted by the Board under the RSAS (but not counting those have lapsed or have been forfeited) representing in aggregate over 2% of the issued share capital of the Company as at the date of such grant.

Share Option Scheme

The Company operates a share option scheme ("Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. In accordance with the Option Scheme, the Company may grant up to 100,000,000 share options within 10 years from its adoption date, 14 September 2007. The following share options were granted and outstanding under the Option Scheme during the year.

Name or Category of Participant	As at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2010	Date of grant of share options	Exercise period of share options (both dates inclusive)	Exercise price of share options (HK$)
Executive directors:									
Han Jia-Hwan	850,000	–	–	–	–	850,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chang Tiee-Shen	300,000	–	100,000	200,000	–	–	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chen Fu-Shih	500,000	–	–	–	–	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Non-Executive Directors:									
Han Chia-Yau	650,000	–	–	–	–	650,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Harn Jia-Chen	500,000	–	–	–	–	500,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Chao Tien-Shin	300,000	–	–	–	–	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Independent Non-Executive Directors:									
Chen Chih	300,000	–	–	–	–	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Liu Fuchun	300,000	–	–	–	–	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Way Yung-Do	300,000	–	–	–	–	300,000	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Employees in Aggregate	6,986,667	–	655,333	804,000	–	5,527,334	28-Oct-08	28-Oct-09 to 27-Oct-12	1.088
Total	9,386,667	–	755,333	1,004,000	–	7,627,334			

Directors' and Chief Executive's Interests And Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(a) Long positions in shares of the Company:

Name of Directors	Nature of Interest	Interests in Shares held	Approximate percentage of Issued Capital
Han Jia-Hwan	Beneficial owner/Others	192,000 (Note 1)	0.019%
Chen Fu-Shih	Beneficial owner/Others	96,000 (Note 2)	0.009%
Chao Tien-Shin	Interests of controlled corporation	3,534,000 (Note 3)	0.349%

Notes:

1. The shares are granted on 13 December 2009 under the Restricted Share Award Scheme with the vesting schedule as follows:

Vesting Date	Number of Restricted Shares become unrestricted
15 December 2009	64,000
15 December 2010	64,000
15 December 2011	64,000

2. The shares are granted on 13 December 2009 under the Restricted Share Award Scheme with the vesting schedule as follows:

Vesting Date	Number of Restricted Shares become unrestricted
15 December 2009	32,000
15 December 2010	32,000
15 December 2011	32,000

3. Mr. Chao Tien-Shin is deemed to be interested in 3,534,000 Shares held by Hannibal International Limited, a subsidiary of CTS Capital Group Limited which is controlled by Mr. Chao and his spouse.

(b) Long positions in underlying shares of the Company

Details of the directors' interests in the share options of the Company are set out in the section headed "Share Option Scheme" of this report.

(c) Long positions in shares of associated corporations of the Company:

Name of Directors	Name of associated corporation (Note 1)	Nature of interest	Interests in shares held	Approximate % of the relevant associated corporation's issued share capital
Han Chia-Yau	Great Wall Enterprise Co. Ltd.	Beneficial owner	38,761(L)	0.008%
Harn Jia-Chen	Great Wall Enterprise Co. Ltd.	Beneficial owner	41,633(L)	0.008%
Chao Tien-Shin	Great Wall Enterprise Co. Ltd.	Interest of controlled corporation (Note 2)	5,608,099(L)	0.997%

Note 1: Great Wall Enterprise Co. Ltd. ("Great Wall Enterprise"), a company incorporated in Taiwan and listed on Taiwan Stock Exchange Corporation, is the controlling shareholder of the Company.

Note 2: Mr. Chao Tien-Shin is deemed to be interested in the 5,608,099 shares held by Qiao Tai Xing Investment Co. Limited which is controlled by Mr. Chao and his spouse.

Save as disclosed above, as at 31 December 2010, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders of the Company

As at 31 December 2010, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name	Nature of interests	Number of shares	Approximate %
Waverley Star Limited	Beneficial interests	375,899,946(L)	37.15%
Asia Nutrition Technologies Corporation	Beneficial interests	152,924,906(L)	15.11%
Great Wall Enterprise Co., Ltd.	Interests of controlled corporation	528,824,852(L)	52.26%
Great Wall International (Holdings) Ltd.	Interests of controlled corporation	528,824,852(L)	52.26%

Name	Nature of interests	Number of shares	Approximate %
GMT Capital Corp.	Beneficial interests	81,794,400(L)	8.08%
Continental Enterprises Ltd.	Beneficial interests	59,700,029(L)	5.90%
ContiGroup Companies Inc.	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Grandchildren Family L.P.	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Enterprises, LLC	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Robert Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Paul Jules Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Nadine Louise Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Declaration of Trust dated May 31, 1957, for the benefit of Charles Arthur Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Trust Agreement Dated September 16, 1963, for the benefit of Caroline Renee Fribourg	Interests of controlled corporation	59,700,029(L)	5.90%
Fribourg Charles Arthur	Trustee	59,700,029(L)	5.90%
Sosland Morton Irvin	Trustee	59,700,029(L)	5.90%
Fribourg Paul Jules	Trustee	59,700,029(L)	5.90%

Save as disclosed above, as at 31 December 2010, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected Transactions

During the year, the Group entered into a number of continuing connected transactions with the following connected persons (as defined in the Listing Rules), namely:

(1) Great Wall Enterprise (being the ultimate controlling shareholder of the Company) and its subsidiaries (being associates of Great Wall Enterprise) excluding the Group (the "Excluded Group"); and

(2) Marubeni Corporation ("Marubeni", being a substantial shareholder of a non wholly-owned subsidiary of the Company) and its subsidiaries (being an associate of Marubeni).

The Group entered into the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2010:

(a) On 14 September 2007, the Group entered into a master supply agreement with Great Wall Enterprise in respect of selling raw materials for manufacturing animal feeds and chicken meat products to the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Company than terms given by such members of our Group to independent third parties. During the year, the Group sold products to Great Wall Enterprise with a total value of RMB3.41 million approximately. For further details of the master supply agreement, please refer to pages 168 to 169 of the prospectus of the Company dated 20 September 2007 (the "Prospectus").

    On 23 November 2009, the Group entered into the master supply (renewal) agreement with Great Wall Enterprise which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master supply (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

(b) On 14 September 2007, the Group entered into a master purchase agreement with Great Wall Enterprise in respect of purchase of ingredients for feed production from the Excluded Group. The quoted prices are based on normal commercial terms and terms are no less favourable to the members of the Group than terms available from independent third parties. For further details of the master purchase agreement, please refer to pages 169 to 170 of the Prospectus.

    On 5 June 2008, the Group entered into a modification agreement with Great Wall Enterprise extending the term of the master purchase agreement to 31 December 2010. The annual caps for the transactions thereunder for the three years ending 31 December 2010 had been revised and/or approved on 18 July 2008. For further details of the modification agreement, please refer to the Company's announcement dated 13 June 2008 and circular dated 30 June 2008.

    On 23 November 2009, the Group entered into the master purchase (renewal) agreement with Great Wall Enterprise which became effective and superseded the previous master purchase agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master purchase (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

    During the year, the total procurement from Great Wall Enterprise by the Group amounted to RMB22.40 million approximately.

(c) On 14 September 2007, the Group entered into a trademark licence deed with Great Wall Enterprise. Pursuant to the trademark licence deed, Great Wall Enterprise grants to the Group an exclusive and non-transferable licence to use the trademarks owned by Great Wall Enterprise, with a right to sub-license to any of our Company's subsidiaries. Under the trademark licence deed, the royalties payable to Great Wall Enterprise are charged at the rate of 0.1% of the total net sales of the products of the Group attributable to the trademarks licensed by Great Wall Enterprise since 4 October 2007, the Listing Date.

On 23 November 2009, the Group entered into the trademarks licence (renewal) deed with Great Wall Enterprise which became effective and superseded the previous trademarks licence deed on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the trademarks licence (renewal) deed are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group paid a sum of RMB6.35 million approximately as royalties to Great Wall Enterprise. For further details of the trademark license deed, please refer to pages 171 to 172 of the Prospectus.

(d) On 14 September 2007, the Group entered into a master supply agreement with Marubeni in respect of selling of processed food by the Group to Marubeni. The pricing of the goods sold was determined by reference to the actual cost of the goods sold plus a reasonable profit. The quoted price is not less than the price charged to an independent third party. If no such comparable reference price is available, the quoted price was based on normal commercial terms which were considered fair and reasonable by the Group and Marubeni.

On 23 November 2009, the Group entered into the master supply (renewal) agreement with Marubeni which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master supply (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group sold processed food to Marubeni with a total value of RMB149.95 million approximately. For further details of the agreement, please refer to pages 173 to 174 of the Prospectus.

(e) On 5 June 2008, the Group entered into a master purchase agreement with Marubeni (China) Co., Ltd. ("Marubeni PRC", being a subsidiary of Marubeni) in respect of purchasing products (mainly soybean meal for chicken feeds production) by the Group from Marubeni PRC and its subsidiaries. The pricing policy is to adhere to the fair market price ranges of products comparable to the products to be purchased as offered in the PRC market as at the time when the relevant sale and purchase is performed. If no comparable prices from independent third parties are available for references, the terms shall be determined by agreement between the parties based on normal commercial terms that are considered to be fair and reasonable by both parties.

On 23 November 2009, the Group entered into the master purchase (renewal) agreement with Marubeni PRC which became effective and superseded the previous master supply agreement on 1 January 2010 to extend the expiry date of the agreement to 31 December 2012. The terms of the master purchase (renewal) agreement are substantially the same as its predecessor. For further details of the master supply (renewal) agreement, please refer to the Company's announcement dated 23 November 2009 and circular dated 11 December 2009.

During the year, the Group purchased products from Marubeni PRC with a total value of RMB25.96 million approximately. For further details of the master purchase agreement, please refer to the Company's announcement dated 13 June 2008 and circular dated 30 June 2008.

Save as disclosed above, there are no other transactions which require disclosure in the annual report in accordance with the Listing Rules.

The directors confirm that save as disclosed above, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties; and (iii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above-mentioned continuing connected transactions pursuant to rule 14A.38 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that the transactions: (i) have been approved by the Board; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed previously.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers in 2010 and 2009 accounted for 10.0% and 10.4% of the total sales of the Group respectively. The aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of total purchases for both years ended 31 December 2009 and 2010.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

Emolument Policy

The emolument policy of the Group is set up by its human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities required of the Directors and senior management and comparable market information.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136 of the annual report.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board
Han Jia-Hwan
Chairman

Hong Kong, 25 March 2011

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of DaChan Food (Asia) Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of DaChan Food (Asia) Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 40 to 133, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2011

Consolidated Income Statement

For the year ended 31 December 2010 (Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000 Restated
Turnover	4	**9,551,759**	8,484,757
Cost of sales		**(8,893,731)**	(7,885,094)
Gross profit		**658,028**	599,663
Change in fair value of biological assets less costs to sell	18	**2,130**	(2,932)
Fair value of agricultural produce on initial recognition	17(d)	**25,143**	37,190
Reversal of fair value of agricultural produce due to sales and disposals	17(d)	**(24,139)**	(37,808)
Other revenue	5	**10,617**	7,207
Other net income	5	**7,027**	15,371
Distribution costs		**(250,133)**	(211,398)
Administrative expenses		**(246,806)**	(224,332)
Other operating expenses		**(2,234)**	(5,336)
Profit from operations		**179,633**	177,625
Finance costs	6(a)	**(15,454)**	(12,421)
Share of losses of equity-accounted investees	16	**(1,246)**	(770)
Profit before taxation	6	**162,933**	164,434
Income tax	7	**(16,414)**	(24,746)
Profit for the year		**146,519**	139,688
Attributable to:			
Equity shareholders of the Company		**109,382**	108,053
Non-controlling interests		**37,137**	31,635
Profit for the year		**146,519**	139,688
Earnings per share			
– Basic	12	**RMB 0.1085**	RMB 0.1070
– Diluted	12	**RMB 0.1082**	RMB 0.1068

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010 (Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000 Restated
Profit for the year		**146,519**	139,688
Exchange differences on translation of financial statements of overseas subsidiaries	11	**(30,118)**	(8,866)
Total comprehensive income for the year		**116,401**	130,822
Attributable to:			
Equity shareholders of the Company		**80,396**	103,426
Non-controlling interests		**36,005**	27,396
Total comprehensive income for the year		**116,401**	130,822

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2010 (Expressed in Renminbi Yuan)

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 Restated	1 January 2009 RMB'000 Restated
Non-current assets				
Fixed assets	14			
– Property, plant and equipment		1,065,459	1,070,638	995,070
– Lease prepayments		121,961	112,101	123,019
Interests in equity-accounted investees	16	8,036	1,449	–
Deferred tax assets	24	29,327	14,566	5,185
		1,224,783	1,198,754	1,123,274
Current assets				
Inventories	17	724,606	663,688	504,568
Biological assets	18	13,479	11,938	12,582
Trade and other receivables	19	686,615	559,849	453,655
Income tax recoverable	24(a)	–	3	6,690
Pledged bank deposits		–	6,676	8,563
Cash and cash equivalents	20	408,973	368,244	413,531
		1,833,673	1,610,398	1,399,589
Current liabilities				
Trade and other payables	21	929,271	827,999	630,361
Interest-bearing borrowings	22	259,328	180,376	158,187
Loan from an associate		5,033	–	–
Income tax payable	24(a)	26,314	23,045	22,777
		1,219,946	1,031,420	811,325
Net current assets		613,727	578,978	588,264
Total assets less current liabilities		1,838,510	1,777,732	1,711,538

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2010 (Expressed in Renminbi Yuan)

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 Restated	1 January 2009 RMB'000 Restated
Non-current liabilities				
Interest-bearing borrowings	22	5,810	15,109	42,002
Deferred tax liabilities	24	106	98	148
		5,916	15,207	42,150
Net assets		1,832,594	1,762,525	1,669,388
Capital and reserves				
Share capital	25(b)	97,259	97,255	97,467
Reserves	25(c)	1,494,841	1,438,310	1,369,269
Total equity attributable to equity shareholders of the Company		1,592,100	1,535,565	1,466,736
Non-controlling interests		240,494	226,960	202,652
Total equity		1,832,594	1,762,525	1,669,388

Approved and authorised for issue by the board of directors on 25 March 2011.

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 49 to 133 form part of these financial statements.

Statement of Financial Position

At 31 December 2010 (Expressed in Renminbi Yuan)

	Note	31 December 2010 RMB'000	31 December 2009 RMB'000 Restated	1 January 2009 RMB'000 Restated
Non-current assets				
Investments in subsidiaries	15	725,899	745,843	746,564
Current assets				
Other receivables, deposits and prepayments	19	5,271	7,204	1,551
Amounts due from subsidiaries		636,626	576,631	615,647
Cash and cash equivalents	20	7,534	35,779	17,490
		649,431	619,614	634,688
Current liabilities				
Other payables and accruals	21	10,345	7,402	16,601
Interest-bearing borrowings	22	3,311	–	13,669
Amount due to ultimate holding company		6,311	6,603	5,926
		19,967	14,005	36,196
Net current assets		629,464	605,609	598,492
Net assets		1,355,363	1,351,452	1,345,056
Capital and reserves				
Share capital	25(b)	97,575	97,515	97,467
Reserves	25(d)	1,257,788	1,253,937	1,247,589
Total equity		1,355,363	1,351,452	1,345,056

Approved and authorised for issue by the board of directors on 25 March 2011.

Han Jia-Hwan
Chairman

Chen Fu-Shih
Executive director

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010 (Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company										
	Note	Share capital (note 25(b)) RMB'000	Share premium (note 25(c)(i)) RMB'000	Redemption reserve (note 25(b)(ii)) RMB'000	Merger reserve (note 25(c)(ii)) RMB'000	Statutory reserves (note 25(c)(iii)) RMB'000	Translation reserve (note 25(c)(iv)) RMB'000	Share-based payment reserve (note 25(c)(v)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010		97,255	573,689	257	396,064	55,036	(84,970)	1,807	496,427	1,535,565	226,960	1,762,525
Profit for the year		–	–	–	–	–	–	–	109,382	109,382	37,137	146,519
Other comprehensive income												
Exchange difference on translation of financial statements of overseas subsidiaries		–	–	–	–	–	(28,986)	–	–	(28,986)	(1,132)	(30,118)
Total comprehensive income for the year		–	–	–	–	–	(28,986)	–	109,382	80,396	36,005	116,401
Equity-settled share-based payment transactions	23	4	1,351	61	–	–	–	275	(1,192)	499	–	499
Appropriations		–	–	–	–	5,865	–	–	(5,865)	–	–	–
Acquisition of additional 19% equity interest in a subsidiary	15	–	213	–	–	–	–	–	–	213	(8,003)	(7,790)
Dividends to owners		–	–	–	–	–	–	–	(24,573)	(24,573)	(14,468)	(39,041)
Balance at 31 December 2010		97,259	575,253	318	396,064	60,901	(113,956)	2,082	574,179	1,592,100	240,494	1,832,594

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2009 (Restated) (Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company										
	Note	Share capital (note 25(b)) RMB'000	Share premium (note 25(c)(i)) RMB'000	Redemption reserve (note 25(b)(ii)) RMB'000	Merger reserve (note 25(c)(ii)) RMB'000	Statutory reserves (note 25(c)(iii)) RMB'000	Translation reserve (note 25(c)(iv)) RMB'000	Share-based payment reserve (note 25(c)(v)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2009		97,467	572,596	–	396,064	46,794	(80,343)	437	433,721	1,466,736	202,652	1,669,388
Profit for the year		–	–	–	–	–	–	–	108,053	108,053	31,635	139,688
Other comprehensive income												
Exchange difference on translation of financial statements of overseas subsidiaries		–	–	–	–	–	(4,627)	–	–	(4,627)	(4,239)	(8,866)
Total comprehensive income for the year		–	–	–	–	–	(4,627)	–	108,053	103,426	27,396	130,822
Equity-settled share-based payment transactions	23	(212)	1,093	257	–	–	–	1,370	(3,736)	(1,228)	–	(1,228)
Appropriations		–	–	–	–	8,242	–	–	(8,242)	–	–	–
Dividends to owners		–	–	–	–	–	–	–	(33,369)	(33,369)	(3,088)	(36,457)
Balance at 31 December 2009		97,255	573,689	257	396,064	55,036	(84,970)	1,807	496,427	1,535,565	226,960	1,762,525

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010 (Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000 Restated
Operating activities			
Profit before taxation		**162,933**	164,434
Adjustments for:			
– Change in fair value of biological assets less costs to sell	18	**(2,130)**	2,932
– Fair value of agricultural produce on initial recognition	17(d)	**(25,143)**	(37,190)
– Reversal of fair value of agricultural produce due to sales and disposals	17(d)	**24,139**	37,808
– Share of losses of equity-accounted investees	16	**1,246**	770
– Depreciation and amortisation	14	**115,611**	103,605
– Net loss on disposals of fixed assets	5	**3,510**	3,969
– Impairment loss on trade and other receivables	19(b)	**4,597**	2,478
– Reversal of impairment loss on trade and other receivables	19(b)	**(252)**	(1,544)
– Write-down of inventories	17(b)	**296**	779
– Reversal of write-down of inventories	17(b)	**(7,491)**	(18,573)
– Interest income	5	**(2,908)**	(3,511)
– Interest expense	6(a)	**15,454**	12,421
– Equity-settled share-based payment transactions	6(b)	**979**	2,329
– Net foreign exchange loss	6(c)	**2,234**	5,336
Operating cash flows before changes in working capital		**293,075**	276,043
Increase in inventories		**(52,490)**	(159,738)
Decrease/(increase) in biological assets		**589**	(2,288)
Increase in trade and other receivables		**(131,286)**	(112,483)
Increase in trade and other payables		**100,867**	193,611
Cash generated from operations		**210,755**	195,145
Income tax paid	24(a)	**(27,203)**	(27,198)
Net cash generated from operating activities		**183,552**	167,947

The notes on pages 49 to 133 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2010 (Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000 Restated
Investing activities			
Interest received		2,908	3,511
Purchases of fixed assets		(144,940)	(190,968)
Proceeds on disposals of fixed assets		8,131	19,296
Investment in equity-accounted investees		(7,950)	(2,219)
Acquisition of non-controlling interest	15	(7,790)	–
Net cash used in investing activities		(149,641)	(170,380)
Financing activities			
Interest paid		(15,454)	(12,421)
Dividends paid	25(a)(ii)	(39,041)	(36,457)
Proceeds from new bank loans		523,927	295,249
Repayment of bank loans		(454,274)	(297,019)
Changes in pledged bank deposits		6,676	1,887
Loan from an associate		5,033	–
Proceeds from exercise of share options		715	492
Repurchase of own shares		(1,206)	(4,069)
Net cash generated from/(used in) financing activities		26,376	(52,338)
Net increase/(decrease) in cash and cash equivalents		60,287	(54,771)
Cash and cash equivalents at beginning of the year		368,244	413,012
Effect of foreign exchange rate changes		(19,558)	10,003
Cash and cash equivalents at the end of the year	20	408,973	368,244

The notes on pages 49 to 133 form part of these financial statements.

1 General information

DaChan Food (Asia) Limited (the "Company") was incorporated in the Cayman Islands on 18 May 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually as "Group entities") and the Group's interest in an associates and jointly controlled entities. The Group primarily is involved in the manufacturing and trading of livestock feeds, poultry and chilled meat and processed food.

The Company publicly offered shares on the Main Board of The Stock Exchange of Hong Kong Limited on 4 October 2007.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost except that the following assets:

– derivative financial instruments are measured at fair value; and

– biological assets are measured at fair value less costs to sell.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The financial statements are presented in Renminbi Yuan ("RMB") ("presentation currency"). All financial information presented in RMB has been rounded to the nearest thousand unless otherwise indicated.

2 Basis of preparation (Cont'd)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 30.

(e) Changes in accounting policies

(i) Overview

The Group has changed its accounting policies in the following areas either voluntarily or as a result of revised IFRSs, a number of amendments to and interpretations of IFRSs that are relevant to the Group becoming first effective for the current accounting year:

- Change of presentation currency
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary;*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items;*
- IFRIC 17, *Distributions of non-cash assets to owners; and*
- Improvements to IFRSs (2009)

The amendments to IAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. Except for the change of presentation currency, the other developments resulted in changes in accounting policy but none of these changes in accounting policies have a material impact on the current or comparative year.

2 Basis of preparation (Cont'd)

(e) Changes in accounting policies (Cont'd)

(ii) Change of presentation currency

In the prior periods, the Group presented its financial statements in US Dollar ("USD"). However, as all the major operations of the Group are based in the People's Republic of China ("PRC"), the Group believes that using RMB as the presentation currency provides the users of the financial statements with more relevant information about the operating results and financial position of the Group and enhances the comparability of the Group's financial statements with those of other players in the same industry in the PRC.

The change in the presentation currency has been applied retrospectively with comparatives restated and in accordance with IAS 1 *Presentation of financial statements*, a third statement of financial position as at the beginning of the earliest period with relevant notes have been presented.

(iii) Other developments in accounting standards

– The impact of the majority of the amendments to IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The amendment introduced by the Improvements to IFRSs (2009) omnibus standard in respect of IAS 17, *Leases*, resulted in a change of classification of certain of the Group's leasehold land interests located in Hong Kong, but this had no material impact on the amounts recognised in respect of these leases as the lease premiums in respect of all such leases are fully paid and are being amortised over the remaining length of the lease term.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

The Group had early adopted IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for all business combinations since 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognised amount of any non-controlling interest in the acquiree and if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3 Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(ii) Acquisitions of non-controlling interests

The Group had early adopted IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests since 1 January 2009.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over those activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for in the consolidation financial statement using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the Company's statement of financial position, investment in equity-accounted investees is stated at cost less impairment losses (see note 3(e)).

3 Significant accounting policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised profits or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised profits arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 3(e)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 3(u)).

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture, fittings and equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

3 Significant accounting policies (Cont'd)

(b) Property, plant and equipment (Cont'd)

Construction in progress represents office buildings, various infrastructure projects under construction and equipment pending installation, and is stated at cost less impairment losses (see note 3(e)). Cost comprises direct costs of construction and the initial estimate, where relevant, of the costs of dismantling and removing the item and restoring the site on which it is located during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities.

No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(c) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(d) Lease prepayments

Lease prepayments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 3(e)).

(e) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are carried at cost or amortised cost are reviewed at each end of reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3 Significant accounting policies (Cont'd)

(e) Impairment of assets (Cont'd)

(i) Impairment of trade and other receivables (Cont'd)

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– lease prepayments;

– investments in subsidiaries; and

– interest in an associate and jointly controlled entities.

If any such indication exists, the asset's recoverable amount is estimated.

3 Significant accounting policies (Cont'd)

(e) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(e)(i) and (ii)).

3 Significant accounting policies (Cont'd)

(f) Biological assets and agricultural produce

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in profit or loss. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market. The fair value of livestock is determined based on the current market price of livestock of similar age, breed and genetic merit.

Agricultural produce, which comprises broiler breeder eggs is initially measured at its fair value less costs to sell at the point of lay. The fair value of agricultural produce is determined based on market prices in the local area, any resultant gain or loss recognised in profit and loss.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Agricultural produce is included under inventories at its fair value less costs to sell at the point of lay in accordance with note 3(f), subsequently included under inventory and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 3(f)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

3 Significant accounting policies (Cont'd)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost, except where the payables are interest-free loans from related parties without any fixed repayment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on trade date. At each end of reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and other receivables, and amounts due from related parties. Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities of the Group include interest-bearing borrowings, trade and other payables, and amounts due to related parties. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3 Significant accounting policies (Cont'd)

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations are recognised as an expense when they are due.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into accounts the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

3 Significant accounting policies (Cont'd)

(o) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arose on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

3 Significant accounting policies (Cont'd)

(p) Income tax (Cont'd)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting period. Deferred tax assets and liabilities are not discounted.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

The carrying amount of a deferred tax asset is reviewed at each end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3 Significant accounting policies (Cont'd)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3 Significant accounting policies (Cont'd)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit and loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. When the Group is entitled to compensation in the future related to the sales in current period under a contract price adjustment mechanism, the compensation is recognised in the revenue of the same period of the corresponding sales to the extent of management's best estimation. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(iv) Management fees

Revenue is recognised when the services are rendered.

3 Significant accounting policies (Cont'd)

(s) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective or qualifying cash flow hedges, which are recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3 Significant accounting policies (Cont'd)

(s) Foreign currencies (Cont'd)

(ii) Foreign operations (Cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(t) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a joint venture or an associates of the parent or ultimate parent;

3 Significant accounting policies (Cont'd)

(v) Related parties (Cont'd)

(v) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(vi) the party is a close family member of a party referred in (i) or is an entity under the control, joint control or significant influence of such individuals;

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the CEO for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 Turnover

The principal activities of the Group include manufacturing and trading of livestock feeds, poultry and chilled meats and processed foods. The amount of each significant category of turnover recognised during the year is as follows:

	2010 RMB'000	2009 RMB'000
Sales of chicken meats	4,527,547	4,057,684
Sales of livestock feeds	4,068,331	3,818,244
Sales of processed foods	955,881	608,829
	9,551,759	8,484,757

The Group's customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group's turnover. Details of concentrations of credit risk arising from this customer are set out in note 29(a).

Further details regarding the Group's principal activities are disclosed in note 13 to these financial statements.

5 Other revenue and other net income

	2010 RMB'000	2009 RMB'000
Other revenue		
Interest income	2,908	3,511
Government grants	7,709	3,696
	10,617	7,207

5 Other revenue and other net income (Cont'd)

	2010 RMB'000	2009 RMB'000
Other net income		
Realised gain on commodity derivative contracts	5,333	4,474
Net loss on disposals of fixed assets	(3,510)	(3,969)
Others	5,204	14,866
	7,027	15,371

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2010 RMB'000	2009 RMB'000
(a) Finance costs		
Interest on bank borrowings wholly repayable within five years	15,454	12,421
(b) Staff costs		
Salaries, wages, bonuses and other benefits	382,158	339,992
Contributions to retirement schemes	33,242	16,429
Equity-settled share-based payment expenses (note 23)	979	2,329
	416,379	358,750

The Group is required to participate in pension schemes organised by the respective municipal governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at rates ranging from 19% to 25.5% (2009: 19% to 25.5%) of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

6 Profit before taxation (Cont'd)

Profit before taxation is arrived at after charging/(crediting): (Cont'd)

(b) Staff costs (Cont'd)

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HKD") 20,000. Contributions to the scheme vest immediately.

Contribution made to Malaysia's Employees Provident Fund is based on 12% (2009: 12%) of the eligible employees' salaries.

The Group also made contribution on the statutory social security and health insurance in Vietnam at 17% (2009: 17%) of the eligible employees' salaries.

Save for the above schemes, the Group has no other material obligation for payment of retirement benefits beyond the contributions.

(c) Other items

	2010 RMB'000	2009 RMB'000
Auditors' remuneration		
– audit services	3,901	3,812
– tax services	20	20
	3,921	3,832
Amortisation of lease prepayments	3,260	2,978
Depreciation of property, plant and equipment	112,351	100,627
Net impairment losses on trade and other receivables	4,345	934
Net reversal of write-down of inventory	(7,195)	(17,794)
Net foreign exchange loss	2,234	5,336
Operating lease charges		
– plant and machinery	18,129	17,747
– others	3,649	3,682
Research and development costs	698	246

7 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2010 RMB'000	2009 RMB'000
Current tax		
Provision for the year	29,936	29,156
Under provision in respect of prior years	1,231	5,021
	31,167	34,177
Deferred tax		
Origination and reversal of temporary differences (note 24)	(14,753)	(9,431)
	16,414	24,746

(i) Pursuant to the rules and regulations of the Cayman Islands, British Virgin Islands ("BVI") and Samoa, the Group is not subject to any income tax in the Cayman Islands, BVI and Samoa.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the years.

(iii) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Corporate Income Tax at a rate of 25% during the periods, except for the following:

(a) DaChan Wanda (Tianjin) Co., Ltd. and Greatwall Agri (Heilongjiang) Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2006, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the years ended 31 December 2010 and 2009 respectively is 12.5%.

(b) Dongbei Agri (Changchun) Co., Ltd. is entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2007, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for the years ended 31 December 2010 and 2009 respectively is 12.5%.

(c) Greatwall Gourmet (Shanghai) Co., Ltd. and Hunan Greatwall Technologies & Feeds Co., Ltd. are entitled to a full exemption from the PRC Corporate Income Tax for the two years beginning from 2008, their first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Corporate Income Tax for the next three years. The applicable tax rate for both subsidiaries for the years ended 31 December 2010 is 12.5% (2009: nil).

7 Income tax in the consolidated income statement (Cont'd)

(a) Taxation in the consolidated income statement represents: (Cont'd)

(iv) Pursuant to the income tax rules and regulations of Malaysia, the subsidiary in Malaysia was liable to Malaysian income tax rate of 25% for the year ended 31 December 2010 (2009: 25%).

(v) Pursuant to the Amended Investment Licence No. 1219/GPDC1-BKH-KCN-DN dated 23 September 2003, issued by Dong Nai Industrial Zone Authority, Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN") is subject to Corporate Income Tax of Vietnam at a preferential rate of 15%.

(vi) Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN") is subject to Corporate Income Tax of Vietnam at the rate of 10% for the first 15 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-HN is entitled to a full tax exemption for four years starting from 2005, its first profit-making year pursuant to the Minutes of Inspection by Tax Department of Hai Duong Province dated 24 November 2006 and a 50% reduction in tax rate for the next four years. Therefore, the applicable tax rate of ANT-HN is 5% for the year ended 31 December 2010 (2009: 5%).

(vii) Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA") is subject to Corporate Income Tax of Vietnam at the rate of 20% for the first 10 years commencing from its first year of operation and 25% for the succeeding years. However, ANT-LA is entitled to a full tax exemption for 2 years starting from 2008, its first profit-making year and a 50% reduction in tax rate for the next three years. Therefore, the applicable tax rate of ANT-LA is 10% for the year ended 31 December 2010 (2009: nil).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**162,933**	164,434
Income tax using PRC's Corporate Income Tax rate of 25% (2009: 25%) (note)	**40,733**	41,109
Effect of different tax rates of subsidiaries operating in different tax jurisdiction	**(27,464)**	(16,575)
Tax effect of non-deductible expenses	**4,310**	5,075
Tax effect of non-taxable revenue	**(7,551)**	(4,078)
Tax effect of unused tax losses not recognised	**10,696**	7,828
Utilisation of tax losses previously not recognised	**(433)**	(5,444)
Effect of tax exemptions granted to subsidiaries	**(5,108)**	(8,190)
Under provision in respect of prior years	**1,231**	5,021
Actual tax expense	**16,414**	24,746

Note: The income tax rate of 25% (2009: 25%) represents the domestic tax rate in the jurisdiction where the operations of the Group are substantially based.

8 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2010						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Sub-total	Share-based payments (note 23)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Han Jia-Hwan	–	1,373	–	23	1,396	168	1,564
Executive directors							
Chang Tiee-Shen*	–	155	–	–	155	–	155
Chen Fu-Shih	–	759	122	23	904	89	993
Shu Cho Shen**	–	754	–	17	771	–	771
Independent non-executive directors							
Liu Fuchun	173	–	–	–	173	20	193
Chen Chih	173	–	–	–	173	20	193
Way Yung-Do	173	–	–	–	173	20	193
Non-executive directors							
Harn Jia-Chen	130	–	–	–	130	33	163
Han Chia-Yau	130	–	–	–	130	42	172
Nicholas W. Rosa	130	–	–	–	130	–	130
Chao Tien-Shin	130	–	–	–	130	20	150
	1,039	3,041	122	63	4,265	412	4,677

* Resigned on 12 March 2010

** Appointed on 12 March 2010

8 Directors' remuneration (Cont'd)

	2009						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contribution	Sub-total	Share-based payments (note 23)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman							
Han Jia-Hwan	–	1,380	396	20	1,796	225	2,021
Executive directors							
Chang Tiee-Shen	–	553	48	20	621	48	669
Chen Fu-Shih	–	690	260	20	970	123	1,093
Independent non-executive directors							
Liu Fuchun	178	–	–	–	178	48	226
Chen Chih	178	–	–	–	178	48	226
Way Yung-Do	178	–	–	–	178	48	226
Non-executive directors							
Harn Jia-Chen	130	–	–	–	130	75	205
Han Chia-Yau	130	–	–	–	130	96	226
Nicholas W. Rosa	130	–	–	–	130	–	130
Chao Tien-Shin	130	–	–	–	130	48	178
	1,054	2,623	704	60	4,441	759	5,200

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme and restricted share award scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(o)(ii).

The details of these benefits in kind, including principal terms and number of options and awards granted, are disclosed under the paragraphs "Share Options Scheme" and "Restricted Share Award Scheme" in the directors' report and note 23.

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2009: one) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2009: four) individuals are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	3,165	4,201
Retirement scheme contributions	61	55
Share-based payments	244	383
Discretionary bonuses	609	362
	4,079	5,001

The emoluments of the three (2009: four) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
RMB870,001 to RMB1,305,000 (equivalent to HKD1,000,001 to HKD1,500,000)	2	2
RMB1,305,001 to RMB1,740,000 (equivalent to HKD1,500,001 to HKD2,000,000)	1	2

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB69,669,000 and a profit of RMB38,322,000 which have been dealt with in the financial statements of the Company for the years ended 31 December 2010 and 2009 respectively.

11 Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2010			2009		
	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax effect RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	(30,118)	–	(30,118)	(8,866)	–	(8,866)
Other comprehensive income	(30,118)	–	(30,118)	(8,866)	–	(8,866)

(Expressed in Renminbi Yuan unless otherwise indicated)

12 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB109,382,000 (2009: RMB108,053,000) and the weighted average of 1,008,169,061 ordinary shares (2009: 1,009,882,642) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
Issued ordinary shares at 1 January	1,008,240,333	1,010,662,000
Effect of shares repurchased (note 25(b)(ii))	(582,721)	(837,104)
Effect of shares granted (note 25(b)(iii))	10,652	18,586
Effect of shares options exercised (note 25(b)(iv))	500,797	39,160
Weighted average number of ordinary shares at 31 December	1,008,169,061	1,009,882,642

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB109,382,000 (2009: RMB108,053,000) and the weighted average of 1,011,065,457 ordinary shares (2009: 1,011,617,573), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010	2009
Weighted average number of ordinary shares at 31 December	1,008,169,061	1,009,882,642
Effect of outstanding share options (note 23 (a)(ii))	2,540,942	1,685,112
Effect of restricted share award scheme (note 23 (b))	355,454	49,819
Weighted average number of ordinary shares (diluted) at 31 December	1,011,065,457	1,011,617,573

13 Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the CEO for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Chicken meat :	The chicken meat segment carries on business of breeding and hatching of broiler breeder eggs, contract farming, processing and marketing of chilled and frozen chicken meat marketed under the brand of "DaChan".
Livestock feeds :	The livestock feeds segment manufactures and distributes complete feed, base mix and pre-mix for swine, layer, broiler, dairy, duck, and breeder poultry.
Processed foods :	The processed foods segment produces and distributes pickled, pre-fried, and roasted foods, and further processed chilled and frozen chicken meat marketed under the brand of "Sisters' Kitchen".

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments.

Turnover and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is gross profit.

In addition to receiving segment information concerning gross profit, the CEO is provided with segment information concerning turnover (including inter segment sales), finance cost, depreciation and amortisation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

13 Segment reporting (Cont'd)

(a) Segment results, assets and liabilities (Cont'd)

Information regarding the Group's reportable segments as provided to the CEO for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

	Chicken meat		Livestock feeds		Processed foods		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover from external customers	4,527,547	4,057,684	4,068,331	3,818,244	955,881	608,829	9,551,759	8,484,757
Inter-segment turnover	155,309	204,185	1,381,072	1,163,572	–	–	1,536,381	1,367,757
Total	4,682,856	4,261,869	5,449,403	4,981,816	955,881	608,829	11,088,140	9,852,514
Segment result	106,117	60,734	432,887	452,777	119,024	86,152	658,028	599,663
Unallocated operating income and expenses							(478,395)	(422,038)
Profit from operations							179,633	177,625
Finance costs							(15,454)	(12,421)
Share of losses of equity-accounted investees	–	–	(1,246)	(770)	–	–	(1,246)	(770)
Income tax							(16,414)	(24,746)
Profit for the year							146,519	139,688
Depreciation and amortisation for the year	55,692	49,449	36,605	35,350	23,314	18,806	115,611	103,605
Reportable segment assets	949,568	880,832	1,223,334	1,183,914	401,428	330,066	2,574,330	2,394,812
(including investment in equity-accounted investees)	–	–	8,036	1,449	–	–	8,036	1,449
Reportable segment liabilities	(231,981)	(331,370)	(460,488)	(398,803)	(214,767)	(86,900)	(907,236)	(817,073)

13 Segment reporting (Cont'd)

(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities

	2010 RMB'000	2009 RMB'000
Turnover		
Reportable segment turnover	11,088,140	9,852,514
Elimination of inter-segment turnover	(1,536,381)	(1,367,757)
Consolidated turnover	9,551,759	8,484,757
Profit		
Reportable segment profit	658,028	599,663
Share of losses of equity-accounted investees	(1,246)	(770)
Change in fair value of biological assets less costs to sell	2,130	(2,932)
Fair value of agricultural produce on initial recognition	25,143	37,190
Reversal of fair value of agricultural produce due to sales and disposals	(24,139)	(37,808)
Other revenue	10,617	7,207
Other net income	7,027	15,371
Distribution costs	(250,133)	(211,398)
Administrative expenses	(246,806)	(224,332)
Finance costs	(15,454)	(12,421)
Other operating expenses	(2,234)	(5,336)
Consolidated profit before taxation	162,933	164,434
Assets		
Reportable segment assets	2,574,330	2,394,812
Deferred tax assets	29,327	14,566
Income tax recoverable	–	3
Cash and cash equivalents	408,973	368,244
Unallocated head office and corporate assets	45,826	31,527
Consolidated total assets	3,058,456	2,809,152
Liabilities		
Reportable segment liabilities	907,236	817,073
Income tax payable	26,314	23,045
Deferred tax liabilities	106	98
Interest-bearing borrowings	265,138	195,485
Unallocated head office and corporate liabilities	27,068	10,926
Consolidated total liabilities	1,225,862	1,046,627

13 Segment reporting (Cont'd)

(c) Geographical information

The following table sets out information about the geographical location of (i) the Group's turnover from external customers and (ii) the Group's tangible fixed assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and the location of operations, in the case of interests in equity-accounted investees.

	Turnover from external customers		Specified non-current assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Mainland China	7,847,777	7,052,686	950,717	940,743
Vietnam	1,382,749	1,202,939	115,855	126,844
Japan	251,869	183,836	–	–
Rest of Asia Pacific	69,364	45,296	6,923	4,500
	9,551,759	8,484,757	1,073,495	1,072,087

14 Fixed assets

The Group

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Lease prepayments RMB'000	Total RMB'000
Cost:								
At 1 January 2010	57,348	120,726	1,327,964	91,482	24,137	1,621,657	126,037	1,747,694
Additions	45,251	1,820	58,499	22,077	3,918	131,565	13,958	145,523
Transfers	(90,499)	3,139	86,609	751	–	–	–	–
Disposals		–	(14,391)	(5,291)	(2,524)	(22,206)	–	(22,206)
Exchange differences	–	(5,768)	(10,939)	(241)	(775)	(17,723)	(1,126)	(18,849)
At 31 December 2010	12,100	119,917	1,447,742	108,778	24,756	1,713,293	138,869	1,852,162
Accumulated depreciation and amortisation:								
At 1 January 2010	–	16,121	483,934	42,429	8,535	551,019	13,936	564,955
Charge for the year	–	5,744	90,919	12,366	3,322	112,351	3,260	115,611
Disposals	–	–	(4,716)	(4,225)	(1,624)	(10,565)	–	(10,565)
Exchange differences	–	(1,017)	(3,596)	(79)	(279)	(4,971)	(288)	(5,259)
At 31 December 2010	–	20,848	566,541	50,491	9,954	647,834	16,908	664,742
Carrying values:								
At 31 December 2010	12,100	99,069	881,201	58,287	14,802	1,065,459	121,961	1,187,420

14 Fixed assets (Cont'd)

The Group (Cont'd)

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Sub-total RMB'000	Lease prepayments RMB'000	Total RMB'000
Cost:								
At 1 January 2009	136,747	121,779	1,108,887	81,359	22,978	1,471,750	133,995	1,605,745
Additions	113,757	1,407	62,818	13,580	4,010	195,572	5,711	201,283
Transfers	(191,732)	2,172	188,631	929	–	–	–	–
Disposals	(1,264)	–	(25,623)	(4,235)	(2,254)	(33,376)	(12,528)	(45,904)
Exchange differences	(160)	(4,632)	(6,749)	(151)	(597)	(12,289)	(1,141)	(13,430)
At 31 December 2009	57,348	120,726	1,327,964	91,482	24,137	1,621,657	126,037	1,747,694
Accumulated depreciation and amortisation:								
At 1 January 2009	–	11,052	421,920	36,340	7,368	476,680	10,976	487,656
Charge for the year	–	5,888	81,343	10,151	3,245	100,627	2,978	103,605
Disposals	–	–	(16,791)	(3,976)	(1,872)	(22,639)	–	(22,639)
Exchange differences	–	(819)	(2,538)	(86)	(206)	(3,649)	(18)	(3,667)
At 31 December 2009	–	16,121	483,934	42,429	8,535	551,019	13,936	564,955
Carrying values:								
At 31 December 2009	57,348	104,605	844,030	49,053	15,602	1,070,638	112,101	1,182,739

14 Fixed assets (Cont'd)

Certain buildings and lease prepayments are pledged to banks for banking facilities granted to the Group as disclosed in note 22(c).

The carrying amounts of the Group's lease prepayments are situated in the following locations:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
The PRC	**103,755**	93,636	102,959
Vietnam	**16,007**	16,379	17,948
Malaysia	**2,199**	2,086	2,112
	121,961	112,101	123,019

An analysis of net book value of the lease prepayments is as follows:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Expiring:			
Between 26 to 50 years	**121,537**	111,569	122,383
Between 10 to 25 years	**424**	532	636
	121,961	112,101	123,019

15 Investments in subsidiaries

	The Company		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	**725,899**	745,843	746,564

Details of the subsidiaries are set out below. The class of shares held is ordinary unless otherwise stated:

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Great Wall Northeast Asia Corporation ("NAC")	Cayman Islands 3 December 1996	USD69,230,251	100	–	Investment holding
Impreza Investments Ltd. ("Impreza")	BVI 7 November 1996	USD14,700,000	–	100	Investment holding
Great Wall Dalian Investment Co., Ltd. ("Dalian Investment")	BVI 23 February 1995	USD24,500,000	–	57	Investment holding
Great Wall Food (Dalian) Co., Limited ("Dalian Great Wall") (note (1) and (3)) 大成食品(大連)有限公司	PRC 6 December 1995	USD26,600,000	–	57	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products and foods processing
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (BVI)")	BVI 13 September 1990	USD9,026,381	–	100	Investment holding
Great Wall Agritech (Liaoning) Co., Limited ("Liaoning Greatwall (HK)") 大成長城農技(遼寧)有限公司	Hong Kong 24 July 1990	HKD31,400,000	–	100	Investment holding
Liaoning Great Wall Agri-Industrial Co., Ltd. ("Liaoning Great Wall") (note (1), (2) and (3)) 遼寧大成農牧實業有限公司	PRC 19 July 1990	USD19,080,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Great Wall Agrotech Feed (Shenyang) Co., Ltd. ("Shenyang Great Wall") (note (2) and (3)) 大成農技飼料(瀋陽)有限公司	PRC 16 May 2007	USD3,038,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Great Wall Agri. (Heilongjiang) Co., Ltd ("Heilongjiang Great Wall") (note (1), (2) and (3)) 大成農牧(黑龍江)有限公司	PRC 25 May 2005	USD1,562,000	–	100	Manufacturing and trading of animal feeds
Dongbei Agri Corporation ("Dongbei Agri")	BVI 27 November 1996	USD11,910,000	–	100	Investment holding
Great Wall Agri. (Yingkou) Co., Ltd ("Yingkou Great Wall") (note (1), (2) and (3)) 大成農牧(營口)有限公司	PRC 1 April 1997	USD14,500,000	–	100	Manufacturing and trading of animal feeds, processing and trading of meat and meat products
Great Wall Agri (Tieling) Co., Ltd. ("Tieling Greatwall") (note (1), (2) and (3)) 大成農牧(鐵嶺)有限公司	PRC 16 May 1997	USD14,089,379	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Dongbei Agri (Changchun) Co., Ltd. ("Changchun Agri") (note (1), (2) and (3)) 東北農牧(長春)有限公司	PRC 28 August 2006	USD1,093,000	–	100	Manufacturing and trading of animal feeds
Hunan Greatwall Technologies & Feeds Co., Ltd. ("Hunan Greatwall") (note (1), (2) and (3)) 湖南大成科技飼料有限公司	PRC 8 October 2006	USD2,200,000	–	100	Manufacturing and trading of animal feeds
Tieling Greatwall Trade Co., Ltd. ("Tieling Trade") (note (1) and (3)) 鐵嶺大成商貿有限公司	PRC 23 June 2004	RMB2,000,000	–	100	Trading of animal feeds

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Beijing Han Ya Trade Co., Ltd. ("Beijing Trade") (notes (1) and (3)) 北京漢亞商貿有限公司	PRC 21 May 1998	RMB1,000,000	–	100	Trading of animal feeds
Hwabei Agri Corporation ("Hwabei Agri")	BVI 23 December 1998	USD3,375,001	–	100	Investment holding
DaChan Wanda (HK) Limited ("Hong Kong DaChan") 大成萬達(香港)有限公司	Hong Kong 26 June 1984	USD5,892,000	–	100	Investment holding
DaChan Wanda (Tianjin) Co., Ltd ("Tianjin DaChan") (note (1), (2) and (3)) 大成萬達(天津)有限公司	PRC 26 October 1992	RMB 257,200,000	–	100	Manufacturing and trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Union Manufacturing Limited ("Union Manufacturing")	BVI 7 February 1996	USD4,800,000	–	100	Investment holding
Greatwall Gourmet (Shanghai) Co., Ltd. ("Shanghai Gourmet") (note (1), (2) and (3)) 大成美食(上海)有限公司	PRC 5 September 1996	USD6,940,000	–	100	Foods processing
Great Wall Kuang-Ming Investment (BVI) Co., Ltd. ("Kuang-Ming Investment")	BVI 17 March 1995	USD1,000,000	–	100	Investment holding
Asia Nutrition Technologies (VN) Investment Co., Ltd. ("ANTIC-VN")	BVI 7 September 1998	USD7,615,590	–	65.51	Investment holding
Asia Nutrition Technologies (HN) Co., Ltd. ("ANT-HN")	Vietnam 22 January 2003	Vietnamese Dong ("VND") 89,600,000,000	–	65.51	Manufacturing and trading of animal feeds
Asia Nutrition Technologies (VN) Co., Ltd. ("ANT-VN")	Vietnam 29 April 1995	VND 190,836,294,000	–	65.51	Manufacturing and trading of animal feeds

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
Asia Nutrition Technologies (LA) Co., Ltd. ("ANT-LA")	Vietnam 13 April 2007	VND 48,000,000,000	–	65.51	Manufacturing and trading of feed meal and related additives, aquatic products, veterinary and aquatic medicine
Golden Harvest Inc. ("Golden Harvest")	Samoa 25 November 2003	USD1	–	65.51	Trading of feed ingredients
Great Wall Nutrition Technologies Sdn. Bhd. ("Great Wall Malaysia")	Malaysia 3 August 1990	Malaysian Ringgit 4,373,770	–	100	Manufacturing and sales of animal feeds
Marksville Corporation ("Marksville")	BVI 15 June 2007	USD1	–	100	Investment holding
Dalian Tiancheng Broiler Development Co., Ltd. ("Dalian Tiancheng") (note (1) and (3)) 大連天成肉雞發展有限公司	PRC 15 September 2008	RMB7,000,000	–	100	Technical research and development in breeding broilers
DaChan Agricultural Technologies (Sichuan) Co., Ltd. ("Sichuan DaChan") (note (1) and (3)) 四川大成農牧科技有限公司	PRC 25 August 2008	RMB20,000,000	–	100	Manufacturing and trading of animal feeds and related additives, research and consultation on husbandry
DaChan Food (Shandong) Co., Ltd. ("Shandong DaChan") (note (1), (2) and (3)) 大成食品(山東)有限公司	PRC 5 May 2008	USD4,000,000	–	100	Manufacturing and trading of animal feeds
DaChan Food (Hebei) Co., Ltd. ("Hebei DaChan") (note (1), (2) and (3)) 大成食品(河北)有限公司	PRC 28 February 2008	USD4,000,000	–	100	Manufacturing and trading of animal feeds
Dongbei (Beijing) Consultant Co., Ltd. ("Dongbei Consultant") (note (1), (2) and (3)) 北京東北亞咨詢有限公司	PRC 30 October 2008	USD500,000	–	100	Management services

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct %	Attributable equity interest Indirect %	Principal activities
DaChan Food (Panjin) Co., Ltd. ("Panjin DaChan") (notes (1), (2) and (3)) 大成食品(盤錦)有限公司	PRC 28 November 2008	USD2,000,000	–	100	Trading of poultry and livestock, processing and trading of meat and meat products
Beijing Sisters Kitchen Food and Beverage Management Co., Ltd. ("Beijing Sisters") (note (1) and (3)) 北京姐妹廚房餐飲管理有限公司	PRC 16 October 2008	RMB500,000	–	100	Food and beverage management
Yanzhou DaChan Food Co., Ltd. ("Yanzhou DaChan") (note (1) and (3)) 兗州大成食品有限公司	PRC 20 March 2008	RMB50,000,000	–	51	Trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Bengbu DaChan Food Co., Ltd. ("Bengbu DaChan") (note (1) and (3)) 蚌埠大成食品有限公司	PRC 3 December 2008	RMB70,000,000	–	100	Trading of animal feeds, husbandry and trading of poultry and livestock, processing and trading of meat and meat products
Qingdao DaChan Technologies Feed Co., Ltd. ("Qingdao DaChan") (note (1), (2) and (3)) 青島大成科技飼料有限公司	PRC 14 November 2008	USD3,300,000	–	100	Manufacturing and trading of animal feeds
Miyasun-Great Wall (BVI) Co., Ltd. ("Miyasun-Great Wall")	BVI 17 March 1995	USD2,000,000	–	100	Investment holding
Miyasun-Great Wall Foods (Dalian) Co., Ltd. ("Miyasun Foods") (note(1), (2) and (3)) 大成宮產食品(大連)有限公司	PRC 20 May 1995	USD9,880,000	–	100	Foods processing
DaChan Zhong Xin Limited	Hong Kong 8 June 2010	USD1	–	100	Investment holding

(Expressed in Renminbi Yuan unless otherwise indicated)

15 Investments in subsidiaries (Cont'd)

Name of company	Place and date of incorporation/ establishment and operation	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct %	Indirect %	
Great Wall Agrotech Huludao Co., Ltd. 大成農技葫蘆島有限公司 (note(1), (2) and (3))	PRC 13/07/2009	USD3,800,000		100	Manufacturing and trading of animal feeds
Geatwall Agri (Henan) Co., Ltd. 大成農牧（河南）有限公司 (note(1), (2) and (3))	PRC 24/07/2009	USD1,900,000		100	Manufacturing and trading of animal feeds
Tianjin DaChan Prospect Research And Development Co., Ltd. 天津大成前瞻生物科技研發有限公司 (note(1) and (3))	PRC 09/11/2009	RMB100,000		100	Research and development

Notes:

(1) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(2) These entities established in the PRC are wholly foreign-owned enterprises.

(3) These entities established in the PRC are limited liability companies.

On 11 Feb 2010, the Group acquired additional 19% equity interest in Yanzhou DaChan at a consideration of RMB 7,790,000, which has been settled in cash by 31 December 2010. The carrying amount of the 19% of the net assets of Yanzhou DaChan on the date of the acquisition was RMB 8,003,000. The Group recognised a decrease in non-controlling interest of RMB 8,003,000 and an increase in share premium of RMB 213,000.

16 Interests in equity-accounted investees

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Share of net assets as at 31 December	**8,036**	1,449	–
Share of losses of the year ended 31 December	**1,246**	770	6,849

In 2010 and 2009 the Group did not receive dividends from any equity-accounted investees.

(a) Details of the Group's interests in equity-accounted investees are as follows:

Name of equity-accounted investees	Form of business structure	Place of incorporation and operation	Particulars of issued share capital	Group's effective interest	Held by subsidiaries	Held by a jointly controlled entity	Principal activity
DaLOL Bio-Nutrition (HK) Co., Ltd. ("DaLOL-HK")	Incorporated	Hong Kong	USD1,400,000	50%	50%	–	Investment holding
Hunan DaLOL Bio-Technical Feed Co., Ltd. ("DaLOL-HU")	Incorporated	PRC	USD1,350,000	50%	–	100%	Manufactory & trading of animal feeds
DaChan (Asia-Pacific) Ltd. ("DAPL")	Incorporated	Vietnam	USD2,000,000	26%	40%	–	Manufactory & trading of animal feeds

16 Interests in equity-accounted investees (Cont'd)

(b) Financial information of the above equity-accounted investees:

	2010			2009	
	DAPL RMB'000	DaLOL-HK RMB'000	Total RMB'000	DaLOL-HK RMB'000	Total RMB'000
Non-current assets	12,583	536	13,119	433	433
Current assets	585	6,241	6,826	7,619	7,619
Current liabilities	–	(1,239)	(1,239)	(5,154)	(5,154)
Net assets as at 31 December	13,168	5,538	18,706	2,898	2,898
Income	–	18,582	18,582	2,637	2,637
Expenses	(78)	(21,011)	(21,089)	(4,177)	(4,177)
Losses for the year	(78)	(2,429)	(2,507)	(1,540)	(1,540)

The financial information for DaLOL-HK shows the consolidated results of DaLOL-HK and DaLOL-HU.

(c) Movement of the Group's investment in equity-accounted investees:

	2010			2009	
	DAPL RMB'000	DaLOL-HK RMB'000	Total RMB'000	DaLOL-HK RMB'000	Total RMB'000
As at 1 January	–	1,449	1,449	–	–
Investment in the year	5,413	2,537	7,950	2,219	2,219
Share of loss for the year	(31)	(1,215)	(1,246)	(770)	(770)
Foreign exchange differences	(115)	(2)	(117)	–	–
As at 31 December	5,267	2,769	8,036	1,449	1,449

17 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Animal feeds	**477,716**	414,476	286,559
Poultry and chilled meats	**102,033**	165,702	141,271
Processed foods	**87,498**	36,045	28,739
Agricultural produce	**3,899**	2,895	3,513
Consumables	**53,460**	44,570	44,486
	724,606	663,688	504,568

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**8,300,289**	7,388,403
Write-down of inventories	**296**	779
Reversal of write-down of inventories	**(7,491)**	(18,573)
Fair value of agricultural produce on initial recognition	**(25,143)**	(37,190)
Reversal of fair value of agricultural produce due to sales and disposals	**24,139**	37,808
	8,292,090	7,371,227

On the consolidated statement of financial position as at 31 December 2010, a provision of RMB5,283,000 (2009: RMB12,707,000, 2008: RMB30,524,000) was made against those inventories with net realisable value lower than the carrying values. Other than this provision, none of the inventories as at 31 December 2010, 2009 and 2008 were carried at net realisable value.

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain inventories as a result of a change in market.

(c) Production quantities of agricultural produce:

	The Group	
	2010	2009
Broiler breeder eggs (units)	**16,927,000**	29,722,000

17 Inventories (Cont'd)

(d) Movements of the agricultural produce, representing broiler breeder eggs, are summarised as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	2,895	3,513
Increase due to lay	25,143	37,190
Decrease due to sales and disposals	(24,139)	(37,808)
At 31 December	3,899	2,895

18 Biological assets

Movements of the biological assets, representing immature and mature breeders, are summarised as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	11,938	12,582
Increase due to purchases	2,883	5,239
Decrease due to retirement and deaths	(3,472)	(2,951)
Change in fair value less costs to sell	2,130	(2,932)
At 31 December	13,479	11,938

The number of biological assets is summarised as follows:

	The Group	
	2010	2009
	Units	Units
Chickens bred for growth into mature breeders	105,824	161,903
Mature breeders	100,359	112,832
	206,183	274,735

The immature breeders are primarily bred for further growth into mature breeders. The mature breeders are primarily held to produce agricultural produce.

The Group's breeders were revalued at each end of the reporting period by the directors on a fair value basis. The fair value less costs to sell of the biological assets is determined using the sales comparison approach. The sales comparison approach estimates value by comparing biological assets with similar size, species and age in the relevant market, and takes into account factors such as differences in characteristics or features of value, in breeder market, and in time.

19 Trade and other receivables

	The Group			The Company		
	2010	2009	2008	**2010**	2009	2008
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade receivables	**327,200**	226,239	197,643	**–**	–	–
VAT recoverable (i)	**203,933**	195,090	174,446	**–**	–	–
Deposits and prepayments ((ii)and (iii))	**96,135**	78,645	51,451	**–**	–	–
Amounts due from related parties (note 28(d))	**13,312**	11,334	9,924	**–**	–	–
Advances to staff	**5,974**	6,371	4,429	**–**	–	–
Deposits paid for purchase of fixed assets	**450**	628	6,917	**–**	–	–
Other receivables	**48,770**	46,356	16,575	**5,271**	7,204	1,551
	695,774	564,663	461,385	**5,271**	7,204	1,551
Less: Impairment of trade and other receivable	**(9,159)**	(4,814)	(7,730)	**–**	–	–
	686,615	559,849	453,655	**5,271**	7,204	1,551

The Group normally allows a credit period ranging from 30 days to 60 days to its customers.

(i) The VAT recoverable represents the unutilised input VAT eligible for offsetting against future output VAT. The unutilised input VAT arose mainly due to the insufficient output VAT on sales of chicken meat to offset the input VAT on purchases of live chickens from contract farmers. The directors of the Company are of the opinion that the VAT recoverable as at 31 December 2010 will be utilised within one year in accordance with the Group's budget.

(ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials and other prepaid expenses.

(iii) As at 31 December 2010, the Group has deposits of RMB4,997,000 (2009: RMB2,895,000, 2008: RMB1,962,000) with independent future trading agents for commodity derivative contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in corn and soybean meal commodities. The aggregate notional amounts of the Group's outstanding future commodity contracts as at 31 December 2010 totalled RMB4,446,000 (2009: RMB3,755,000, 2008: RMB7,573,000).

19 Trade and other receivables (Cont'd)

As at 31 December 2010, the Directors of the Company have assessed the fair value of the outstanding commodity derivative contracts with reference to a market quotation from independent trading agents and considered there was no material difference between the book value and the current market value. Hence, no change in the fair value of outstanding commodity derivative contracts was made in the consolidated income statement.

All of the trade and other receivables (including amounts due from related parties) are expected to be recovered within one year.

(a) Ageing analysis

Included in trade and other receivables are trade receivables with the following ageing analysis as of the end of the reporting periods:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Current	**256,933**	191,525	168,008
Less than 30 days past due	**40,663**	20,259	18,235
31-60 days past due	**9,378**	5,039	1,353
61-90 days past due	**4,901**	1,195	526
More than 90 days past due	**15,325**	8,221	9,521
Amounts past due	**70,267**	34,714	29,635
	327,200	226,239	197,643

19 Trade and other receivables (Cont'd)

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**4,814**	7,730
Charged to consolidated income statement	**4,597**	2,478
Reversal of impairment loss	**(252)**	(1,544)
Uncollectible amounts written off	**–**	(3,850)
At 31 December	**9,159**	4,814

At 31 December 2010, the Group's trade and other receivables of RMB9,159,000 (2009: RMB4,814,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, allowances for doubtful debts of RMB9,159,000 (2009: RMB4,814,000) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 19(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 19(a)) related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 Cash and cash equivalents

	The Group			The Company		
	2010	2009	2008	**2010**	2009	2008
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and cash equivalents in the consolidated statement of financial position	**408,973**	368,244	413,531	**7,534**	35,779	17,490
Bank overdrafts (note 22(a))	**–**	–	(519)	**–**	–	–
Cash and cash equivalents in the consolidated cash flow statement	**408,973**	368,244	413,012	**7,534**	35,779	17,490

21 Trade and other payables

	The Group			The Company		
	2010	2009	2008	**2010**	2009	2008
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade payables	**621,007**	533,813	357,231	**–**	–	–
Receipts in advance	**24,676**	24,992	21,734	**–**	–	–
Amounts due to related parties (note 28(e))	**9,960**	8,376	9,527	**–**	–	–
Bills payable	**–**	–	663	**–**	–	–
Other payables and accruals	**273,628**	260,818	241,206	**10,345**	7,402	16,601
	929,271	827,999	630,361	**10,345**	7,402	16,601

All of the trade and other payables are expected to be settled within one year.

21 Trade and other payables (Cont'd)

(a) An ageing analysis of the trade payables is analysed as follows:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Within 30 days	514,070	497,727	346,938
31 days to 60 days	41,114	20,341	6,411
61 days to 90 days	40,187	6,173	1,565
91 days to 180 days	25,636	9,572	2,317
	621,007	533,813	357,231

(b) An analysis of the other payables and accruals of the Group and the Company is analysed as follows:

	The Group			The Company		
	2010	2009	2008	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages, bonuses and other benefits payable	104,404	91,789	93,279	4,808	4,131	12,562
Payables for purchase of fixed assets	13,153	12,748	8,721	–	–	–
Contract performance deposits	36,668	40,149	36,449	–	–	–
Accrued expenses	45,356	45,092	36,094	5,537	3,271	4,039
Other payables	74,047	71,040	66,663	–	–	–
	273,628	260,818	241,206	10,345	7,402	16,601

22 Interest-bearing borrowings

(a) Bank loans and overdrafts were repayable as follows:

	The Group			The Company		
	2010	2009	2008	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank overdrafts (note 20)	–	–	519	–	–	–
Bank loans						
– repayable within one year	259,328	180,376	157,668	3,311	–	13,669
– repayable after 1 year but within 2 years	5,810	2,540	20,596	–	–	–
– repayable after 2 years- but within 5 years	–	12,569	21,406	–	–	–
	265,138	195,485	199,670	3,311	–	13,669
Total bank loans and overdrafts	265,138	195,485	200,189	3,311	–	13,669
Less: bank loans and overdrafts repayable within one year classified as current liabilities	(259,328)	(180,376)	(158,187)	(3,311)	–	(13,669)
	5,810	15,109	42,002	–	–	–

22 Interest-bearing borrowings (Cont'd)

(b) Terms

	The Group			The Company		
	2010 RMB'000	2009 RMB'000	2008 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Secured bank overdrafts:						
– Fixed interest rate at 8.0% per annum	–	–	519	–	–	–
Secured bank loans:						
– Fixed interest rate at 4.22% per annum (2009: 6.5% per annum)	8,687	1,632	–	–	–	–
– Floating interest rate ranging from 3.18%-4.66% per annum (2009: 3.5%-10.0% per annum) (2008: 5.4%-20.0% per annum)	2,020	16,647	24,973		–	–
	10,707	18,279	24,973	–	–	–
Unsecured bank loans:						
– Fixed interest rate at 4.6% per annum (2009: 4.5% per annum) (2008: 8.2% per annum)	214,430	74,008	20,000	3,311	–	–
– Floating interest rate ranging from 1.74%-4.55% per annum (2009: 1.6%-10.5% per annum) (2008: 3.6%-21.0% per annum)	40,001	103,198	154,697	–	–	13,669
	254,431	177,206	174,697	3,311	–	13,669
Total bank loans and overdrafts	265,138	195,485	200,189	3,311	–	13,669

22 Interest-bearing borrowings (Cont'd)

(c) The secured bank loans and overdrafts are secured by the following assets:

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Land and buildings	**13,173**	14,066	22,178
Plant and machinery	**16,967**	22,423	8,591
	30,140	36,489	30,769

23 Shared-based payments

(a) Share option scheme

On 14 September 2007, the Group established a share option scheme that entitles employees of the Group, including directors of any company in the Group, to take up options at consideration of HKD1 to subscribe for shares of the Company.

(i) The terms and conditions of the options granted are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments
Options granted on 28 October 2008 to:	
– directors	4,000,000
– senior management	4,050,000
– other employees	3,450,000
Total	11,500,000

The options have a contractual life of four years. Options granted are subject to a vesting scale in tranches of 33% each per annum.

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Shared-based payments (Cont'd)

(a) Share option scheme (Cont'd)

(ii) The number and weighted average exercise prices of share options are as follows:

	2010		2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	HKD1.088	9,386,667	HKD1.088	11,500,000
Granted during the year		–		–
Exercised during the year	HKD1.088	(755,333)	HKD1.088	(513,333)
Forfeited during the year	HKD1.088	(1,004,000)	HKD1.088	(1,600,000)
Outstanding at 31 December	HKD1.088	7,627,334	HKD1.088	9,386,667
Exercisable at 31 December	HKD1.088	4,810,670	HKD1.088	2,786,667

The options outstanding at 31 December 2010 had an exercise price of HKD1.088 (2009: HKD1.088) and a weighted average remaining contractual life of 1.8 years (2009: 2.8 years).

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Shared-based payments (Cont'd)

(a) Share option scheme (Cont'd)

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options granted on 28 October 2008 and assumptions are as follows:

Fair value at grant date	HKD0.3882 – HKD0.4013
Share price at grant date	HKD0.96
Exercise price	HKD1.088
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	57.51%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	4 years
Expected dividends	Nil
Risk-free interest rate (based on Hong Kong Exchange Fund Notes)	1.98%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

During the year ended 31 December 2010, equity-settled share option payments expenses amounted to RMB550,000 (2009: RMB1,728,000) were recognised in the consolidated income statements.

(Expressed in Renminbi Yuan unless otherwise indicated)

23 Shared-based payments (Cont'd)

(b) Restricted share award scheme

On 23 December 2008, the Group adopted a restricted share award scheme (the "Scheme") to retain the best available personnel by providing additional incentives to employees of the Group, including directors of any company in the Group. Unless terminated earlier by the Board, the Scheme shall be valid and effective for a term of ten years. The shares repurchased under the Scheme become restricted once granted and become unrestricted again once vested. The Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Particulars and movement of the restricted shares under the Scheme during the year ended 31 December 2010 were as follows:

	Outstanding as at 01/01/2010	Granted during the year	Vested during the year	Outstanding as at 31/12/2010	Date of grant (DD/MM/YY)	Vesting period
Directors	192,000	–	(96,000)	96,000	09/11/2009	0-2 years
Employees	294,000	–	(147,000)	147,000	09/11/2009	0-2 years
Total	486,000	–	(243,000)	243,000		

Movements in the number of restricted shares outstanding and the respective weighted average grant date fair value attributable to the employees of the Group as grantees of the Scheme of the Company were as follows:

	2010		2009	
	Weighted average grant date fair value (i) RMB	Number of restricted shares	Weighted average grant date fair value (i) RMB	Number of restricted shares
Outstanding at 1 January	1.30	486,000		–
Granted		–	1.30	910,000
Vested	1.30	(243,000)	1.30	(424,000)
Outstanding at 31 December	1.30	243,000	1.30	486,000

(i) Grant date fair value represents the fair value of the shares of the Company at the grant date.

During the year ended 31 December 2010, restricted share award scheme payments expenses amounted to RMB429,000 (2009: RMB601,000) were recognised in the consolidated income statements.

24 Taxation in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position:

	2010 RMB'000	2009 RMB'000	2008 RMB'000
At beginning of the year	**(23,042)**	(16,087)	(15,512)
Provision for income tax for the year	**(31,167)**	(34,177)	(40,781)
Income tax paid in the year	**27,203**	27,198	39,202
Effect of movements in exchange rates	**692**	24	1,004
At end of the year	**(26,314)**	(23,042)	(16,087)
Represented by:			
Income tax recoverable	**–**	3	6,690
Income tax payable	**(26,314)**	(23,045)	(22,777)
	(26,314)	(23,042)	(16,087)

(b) Movement of deferred tax assets/(liabilities) during the year

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

24 Taxation in the consolidated statement of financial position (Cont'd)

(b) Movement of deferred tax assets/(liabilities) during the year (Cont'd)

	Depreciation allowance in excess of the related depreciation RMB'000	Provision for stock RMB'000	Impairment loss– receivables RMB'000	Allowable tax loss RMB'000	Sales rebate and other accruals RMB'000	Total RMB'000
At 1 January 2010	(98)	157	376	14,033	–	14,468
Credited/(charged) to consolidated income statement (note 7(a))	(8)	439	300	3,036	10,986	14,753
At 31 December 2010	(106)	596	676	17,069	10,986	29,221
At 1 January 2009	(148)	3,281	1,504	–	400	5,037
Credited/(charged) to consolidated income statement (note 7(a))	50	(3,124)	(1,128)	14,033	(400)	9,431
At 31 December 2009	(98)	157	376	14,033	–	14,468

(c) Reconciliation to the consolidated financial position

	2010 RMB'000	2009 RMB'000	2008 RMB'000
Deferred tax assets recognised on the consolidated statement of financial position	29,327	14,566	5,185
Deferred tax liabilities recognised on the consolidated statement of financial position	(106)	(98)	(148)
	29,221	14,468	5,037

24 Taxation in the consolidated statement of financial position (Cont'd)

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB 157,253,000 (2009: RMB 91,395,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for 5 years.

(e) Deferred tax liabilities not recognised

Under the new PRC tax law, dividends received by foreign investors from their investment in foreign-invested enterprises are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax treaty between the PRC and Hong Kong, the investment holding companies established in Hong Kong are subject to a reduced withholding tax rate of 5% on dividends they receive from their PRC subsidiaries. Pursuant to the grandfathering treatments of the new PRC tax law, dividends receivable by the Group from its PRC subsidiaries in respect of its undistributed profits prior to 31 December 2007 are exempted from the withholding tax. Dividends receivable by the Group from its PRC subsidiaries in respect of its profits earned since 1 January 2008 will be subject to the withholding tax. Accordingly, deferred tax would be recognised for undistributed retained earnings of the PRC subsidiaries to the extent that the earnings would be distributed in the foreseeable future.

At 31 December 2010, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB195,098,000 (2009: RMB141,822,000). Deferred tax liabilities of RMB13,629,000 (2009: RMB9,966,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25 Capital and reserves

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010	2009
	RMB'000	RMB'000
Final dividend proposed after the end of reporting period of HK4.00 cents per share (2009: HK2.80 cents per share)	**34,419**	24,573

25 Capital and reserves (Cont'd)

(a) Dividends (Cont'd)

(ii) Dividends payable to equity shareholders of the Company and minority shareholders of its subsidiaries attributable to the previous financial year, approved and paid during the year

	2010 RMB'000	2009 RMB'000
Dividends to equity shareholders of the Company	24,573	33,369
Dividends to minority shareholders of subsidiaries	14,468	3,088
	39,041	36,457

(b) Share capital

(i) Authorised and issued share capital

	2010		2009	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Authorised:				
Ordinary shares of HKD0.1 each at 31 December	10,000,000	964,358	10,000,000	964,358
Ordinary shares, issued and fully paid:				
At 1 January	1,008,240	97,255	1,010,662	97,467
Shares repurchased under restricted share award scheme (ii)	(945)	(82)	(3,359)	(294)
Share granted to employee under restricted share award scheme (iii)	243	21	424	34
Share issued under share option scheme (iv)	755	65	513	48
At 31 December	1,008,293	97,259	1,008,240	97,255

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(Expressed in Renminbi Yuan unless otherwise indicated)

25 Capital and reserves (Cont'd)

(b) Share capital (Cont'd)

(ii) Purchase of own shares

Core Pacific-Yamaichi International (Hong Kong) is an employee benefit trust used in conjunction with the restricted share award schemes. The trustee has agreed to satisfy the award made under the restricted share award scheme through the relevant employee benefit trust. As part of restricted share award scheme, the Group fund the trust, from time to time to enable the trustee to acquire its own ordinary shares to satisfy the award. All shares have been acquired through the Stock Exchange of Hong Kong Limited.

The trust was treated as a legal entity separate from the Company but as a subsidiary of the Company for consolidation purpose. The shares held by the trust are treated as treasury shares.

Details of these shares repurchased and held by the trust are set out below:

Month/year	Number of shares repurchased	Highest price paid per share RMB	Lowest price paid per share RMB	Cash consideration paid RMB
December 2008	548,000	0.78	0.78	427,000
November 2009	2,222,000	1.32	1.26	2,876,000
December 2009	589,000	1.30	1.30	764,000
May 2010	945,000	1.32	1.24	1,206,000
Total	4,304,000			5,273,000
Shares granted to employees under restricted share award scheme	(667,000)			
Shares held at the end of the year	3,637,000			

In 2010, an amount equivalent to the par value of the shares repurchased of RMB83,000 was transferred from retained profits to the capital redemption reserve.

25 Capital and reserves (Cont'd)

(b) Share capital (Cont'd)

(iii) Shares granted under restricted share award scheme

On 15 December 2010, 243,000 shares were granted to the employees. An amount equivalent to the par value of the shares granted of RMB 21,000 was transferred from the capital redemption reserve to the share capital and RMB308,000 was transferred from the share-based payment reserve to share premium.

(iv) Shares issued under share option scheme

During 2010, options were exercised to subscribe for 755,333 ordinary shares in the Company at a consideration of RMB 715,000 of which RMB 66,000 was credited to share capital and the balance of RMB 649,000 was credited to the share premium account. RMB 393,000 was transferred from the share-based payment reserve to the share premium account in accordance with policy set out in note 3(o)(ii).

(c) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debt as they fall due in the ordinary course of business.

(ii) Merger reserve

Pursuant to the reorganisation plan of the Group in preparation of the Company's listing in the Main Board of The Stock Exchange of Hong Kong Limited ("the Reorganisation"), the Company issued 1,999,999 ordinary shares of HKD0.1 each to the then shareholders of NAC in consideration of acquiring their equity interests held in NAC. The difference between the then shareholders' total capital contributions to NAC over the nominal value of the shares issued by the Company in exchange thereof was transferred to the merger reserve in the consolidated financial statements as at the date of Reorganisation.

(iii) PRC statutory reserves

Transfers from retained earnings to PRC statutory reserves are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

25 Capital and reserves (Cont'd)

(c) Nature and purpose of reserves (Cont'd)

(iii) PRC statutory reserves (Cont'd)

General reserve fund

The subsidiaries in the PRC are required to appropriate 10% of their after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Enterprise development fund

Certain subsidiaries in the PRC are required to set up an enterprise development fund. Transfers to this fund are made at the discretion of the board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries' employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries outside of PRC.

(v) Share-based payment reserve

The share-based payment reserve comprises the fair value of the actual or estimated number of unexercised options and restricted share awards granted to employees of the Group recognised in accordance with the accounting policy for share-based payments in note 3(o)(ii).

25 Capital and reserves (Cont'd)

(d) The Company

	Note	Share premium RMB'000	Contributed surplus RMB'000	Retained profit RMB'000	Share-based payment reserve RMB'000	Translation Reserve RMB'000	Total RMB'000
At 1 January 2010		573,689	741,215	67,727	1,807	(130,501)	1,253,937
Equity-settled share-based payment transactions		1,351	–	(1,270)	275	–	356
Dividends to owners		–	–	(24,573)	–	–	(24,573)
Profit for the year		–	–	69,669	–	–	69,669
Exchange difference on translation of financial statements		–	–	–	–	(41,601)	(41,601)
At 31 December 2010		575,040	741,215	111,553	2,082	(172,102)	1,257,788
At 1 January 2009		572,596	741,215	62,993	437	(129,652)	1,247,589
Equity-settled share-based payment transactions		1,093	–	(219)	1,370	–	2,244
Dividends to owners		–	–	(33,369)	–	–	(33,369)
Profit for the year		–	–	38,322	–	–	38,322
Exchange difference on translation of financial statements		–	–	–	–	(849)	(849)
At 31 December 2009		573,689	741,215	67,727	1,807	(130,501)	1,253,937

Note: Contributed surplus represents the excess of the fair value of the shares of NAC determined based on the basis of the consolidated net assets of NAC at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company, including the distributable amounts disclosed in note 25(c)(i), was approximately RMB1,257,788,000 (2009: approximately RMB1,253,937,000).

25 Capital and reserves (Cont'd)

(f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings, trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents. Capital comprises all components of equity.

During 2010 the Group's strategy, which was unchanged from 2009, was to maintain the adjusted net debt-to-capital ratio at not more than 50%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares or return capital to shareholders.

The adjusted net debt-to-adjusted capital ratio at 31 December 2010 and 2009 was as follows:

		The Group	
	Note	**2010**	2009
		RMB'000	RMB'000
Current liabilities:			
–Trade and other payables	21	**929,271**	827,999
–Interest-bearing borrowings	22	**259,328**	180,376
		1,188,599	1,008,375
Non-current liabilities:			
–Interest-bearing borrowings	22	**5,810**	15,109
Total debt		**1,194,409**	1,023,484
Less: Cash and cash equivalents	20	**(408,973)**	(368,244)
Pledged bank deposits		**–**	(6,676)
Adjusted net debt		**785,436**	648,564
Capital		**1,832,594**	1,762,525
Adjusted net debt-to-capital ratio		**43%**	37%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2010 not provided for in the consolidated financial statements were as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Contracted for	**26,492**	73,196
Authorised but not contracted for	**67,958**	88,914
	94,450	162,110

(b) Operating lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**2,576**	3,865
After 1 year but within 5 years	**4,099**	5,961
After 5 years	**29,577**	30,849
	36,252	40,675

The Group leases a number of properties under operating leases. The leases run for an initial period of one to seven years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

25 Commitments (Cont'd)

(c) Purchase commitments

The Group entered into one-year contracts (renewable and reviewed annually) with certain selected farmers ("Contract Farmers") under which the Group agrees to purchase live chickens, upon fulfilment of certain quality requirements, from the Contract Farmers at an agreed price determined based on the then prevailing market prices. The amounts of live chickens contracted to be purchased from the Contract Farmers at the end of the reporting period were as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Contracted for	**262,913**	314,473

(d) Sales commitments

The Group entered into one-year contracts (renewable and reviewed annually) with certain customers under which the Group agrees to sell chicken meat at an agreed price determined based on the then prevailing market prices. The pre-determined price typically agreed on a semi-annually basis. The amounts of chicken meat contracted to be sold to these customers at the end of the reporting period were as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Contracted for	**252,703**	225,899

27 Contingent liabilities

Since 2009, the Group has adopted a contract farming arrangement for chickens, namely China Chicken Raising Company ("CCRC"), under which the Group contracts with individuals ("the Contractors") and agrees to purchase live chickens, upon fulfilment of certain quality requirements, at an agreed price determined based on the then prevailing market price (the corresponding purchase commitments is disclosed in note 26(c)). In addition, the Group assumes a guarantor role in the lease agreements between the Contractors and owners of farms ("the Lessors"), whereby the Group guarantees the payment of rentals in the event of default by the Contractors. The Group also undertakes to either replace the Contractors to continue the execution of the leases or compensate the Lessors with 50% of the remaining rental payable if the Contractors withdraw from the lease.

27 Contingent liabilities (Cont'd)

At 31 December 2010, the total future minimum non-cancellable lease payments of the Contractors under CCRC model are payable as follows:

	The Group	
	2010 RMB'000	2009 RMB'000
Within 1 year	7,712	4,793
After 1 year but within 5 years	29,040	17,664
After 5 years	27,625	19,221
	64,377	41,678

28 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Great Wall Enterprise Co., Ltd. ("GWE") 大成長城企業股份有限公司*	Ultimate holding company
Great Wall International (Holdings) Ltd. ("GWIH")	Intermediate holding company
Land O' Lakes/Great Wall Enterprise Nutrition Technologies (Beijing) Co., Ltd. ("LOL-BJ") 大成藍雷營養科技(北京)有限公司*	Associate of GWIH, intermediate holding company of the Company
Great Wall Yung Huo Food (Beijing) Co., Ltd. ("GWYHB") 北京大成永和餐飲有限公司*	Subsidiary of GWE, ultimate holding company of the Company
Beijing Universal Chain Food Co., Ltd. ("BUCF") 北京寰城季諾餐飲有限公司*	Subsidiary of GWE, ultimate holding company of the Company
Total Nutrition Technologies Co., Ltd. ("TNT") 全能營養技術股份有限公司*	Subsidiary of GWE, ultimate holding company of the Company

28 Related party transactions (Cont'd)

(a) Name and relationship with related parties (Cont'd)

During the year, transactions with the following parties are considered as related party transactions: (Cont'd)

Name of party	Relationships
Great Wall Food (Tianjin) Co., Ltd. ("GWF-TJ") 大成食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
DaChan Showa Foods (Tianjin) Co., Ltd. ("DSF") 大成昭和食品(天津)有限公司*	Subsidiary of GWIH, intermediate holding company of the Company
DaLOL Bio-Nutrition (HK) Co., Ltd.	Jointly controlled entity
Hunan Dalol Bio-technical Feed Co., Ltd. ('DaLOL-HU") 湖南大藍生物科技飼料有限公司*	Subsidiary of DaLOL Bio-Nutrition (HK) Co., Ltd., jointly controlled entity of the Company
DaChan (Asia Pacific) Ltd. ("DAPL")	Associate of a subsidiary
Marubeni Corporation ("Marubeni")	Minority shareholder
Food China Global Co., Ltd. ("FCG")	Associate of GWIH, intermediate holding company of the Company
Shanghai Universal Chain Food Co., Ltd. ("SUCF")	Subsidiary of GWE, ultimate holding company of the Company
Marubeni (Beijing) Co., Ltd. ("Marubeni Beijing")	Subsidiary of Marubeni, minority shareholder
Marubeni (Dalian) Co., Ltd. ("Marubeni Dalian")	Subsidiary of Marubeni, minority shareholder
Marubeni (Qingdao) Co., Ltd. ("Marubeni Qingdao")	Subsidiary of Marubeni, minority shareholder

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

28 Related party transactions (Cont'd)

(b) Significant related party transactions

Particulars of significant related party transactions during the year are as follows:

	Note	2010 RMB'000	2009 RMB'000
Recurring			
Sales to:			
Ultimate holding company			
– GWE	(iv)	298	123
A minority shareholder			
– Marubeni	(iv)	149,945	105,027
Fellow subsidiaries			
– BUCF		–	7
– SUCF		–	7
– GWYHB		3,105	1,967
– GWF-TJ		7	–
	(iv)	3,112	1,981
Other related parties			
– FCG		–	32,242
– DaLOL-HU		9,869	–
		163,224	139,373

28 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Particulars of significant related party transactions during the year are as follows: (Cont'd)

	Note	2010 RMB'000	2009 RMB'000
Recurring (Cont'd)			
Purchases from:			
Ultimate holding company			
– GWE	(iv)	2,417	874
Fellow subsidiaries			
– GWF-TJ		3,887	2,698
– BUCF		–	7
– DSF		6,881	6,681
– GWYHB		–	355
– TNT		9,213	–
	(iv)	19,981	9,741
Other related party			
– LOL-BJ		686	55
– DaLOL-HU		8,657	–
	(iv)	9,343	55
A minority shareholder			
– Marubeni	(iv)	121	–
Subsidiaries of a minority shareholder			
– Marubeni Beijing		23,778	31,245
– Marubeni Dalian		864	342
– Marubeni Qingdao		1,193	2,138
	(iv)	25,835	33,725
		57,697	44,395

28 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Particulars of significant related party transactions during the year are as follows: (Cont'd)

	Note	2010 RMB'000	2009 RMB'000
Recurring (Cont'd)			
Management fee paid to:			
Ultimate holding company			
– GWE	(i) and (iv)	6,352	5,765
A minority shareholder			
– Marubeni	(ii) and (iv)	677	683
Other related parties			
– FCG		–	430
		7,029	6,878
Rent paid to:			
A fellow subsidiary			
– GWF-TJ	(iv)	60	61
Dividend paid to:			
A minority shareholder			
– Marubeni		–	683
Loan from:			
An associate			
– DAPL		5,033	–

28 Related party transactions (Cont'd)

(b) Significant related party transactions (Cont'd)

Notes:

(i) The management fee paid to the ultimate holding company was primarily for the payment of royalties in respect of the use of trademarks.

(ii) The management fee paid to a minority shareholder was primarily for the technical assistance rendered to a subsidiary in respect of its food processing activities.

(iii) During the year, the Company used the technology know-how owned by GWIH free of charge.

(v) These significant related party transactions constitute connected transactions for the Company which have been disclosed in the annual report under the section headed "Connected Transactions". The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The directors of the Company are of the opinion that the above transactions with related parties, except for the use of technology know-how owned by GWIH, were conducted on normal commercial terms and in the ordinary course of business and the terms are fair and reasonable so far as the shareholders of the Company are concerned.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2010 RMB'000	2009 RMB'000
Short term employee benefits	9,608	11,818
Retirement scheme contributions	203	260
Share-based payments	765	1,339
	10,576	13,417

Total remuneration was included in "staff costs" (note 6(b)).

28 Related party transactions (Cont'd)

(d) Amounts due from related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	Note	2010 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables from:	(i)			
Fellow subsidiaries				
– GWYHB		484	280	376
– BUCF		–	–	7
A minority shareholder				
– Marubeni		12,646	11,054	9,541
Other related party				
– DaLOL-HU		182	–	–
Included in trade and other receivables (note 19)		13,312	11,334	9,924

(i) Trade receivables from related parties are unsecured, interest free and are expected to be recovered within one year. There was no impairment loss made against these amounts at 31 December 2010, 2009 and 2008.

28 Related party transactions (Cont'd)

(e) Amounts due to related parties

As at the end of reporting periods, the Group had the following balances with related parties:

	Note	2010 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables to:	(i)			
Fellow subsidiaries				
– DSF		967	1,051	745
– TNT		960	–	–
– GWF-TJ		590	724	246
		2,517	1,775	991
Other related party				
– LOL-BJ		–	14	–
– DaLOL-HU		444	–	–
		444	14	–
Subsidiaries of minority shareholder				
– Marubeni Dalian		351	689	130
– Marubeni Qingdao		430	137	198
– Marubeni Beijing		–	–	2,283
		781	826	2,611
		3,742	2,615	3,602
Other payables to:				
Ultimate holding company				
– GWE		6,218	5,761	5,925
Included in trade and other payables (note 21)		9,960	8,376	9,527

(i) Trade payables from related parties are unsecured, interest free and are expected to be paid within one year.

29 Financial risk management and fair values

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, interest-bearing borrowings and trade and other payables. Exposure to credit, interest rate, currency, business, liquidity and commodity price risks arise in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables and amounts due from related parties. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group's diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of reporting periods, 12.0% (2009: 9.1%) and 17.5% (2009: 15.0%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers, respectively.

(b) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of short-term fluctuations in cash flows. The Group's treasury department is responsible for maintaining a balance between continuity and flexibility of funding through the use of banking facilities in order to meet the Group's liquidity requirements.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

(Expressed in Renminbi Yuan unless otherwise indicated)

29 Financial risk management and fair values (Cont'd)

(b) Liquidity risk (Cont'd)

The Group

	2010				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	265,138	266,587	257,221	9,366	–
Trade and other payables	929,271	929,271	929,271	–	–
	1,194,409	1,195,858	1,186,492	9,366	–

	2009				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	195,485	199,589	182,246	2,772	14,571
Trade and other payables	827,999	827,999	827,999	–	–
	1,023,484	1,027,588	1,010,245	2,772	14,571

	2008				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	200,189	214,099	164,860	23,581	25,658
Trade and other payables	630,361	630,361	630,361	–	–
	830,550	844,460	795,221	23,581	25,658

29 Financial risk management and fair values (Cont'd)

(b) Liquidity risk (Cont'd)

The Company

	2010		
	Carrying amount RMB'000	**Total contractual undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**
Interest-bearing borrowings	**3,311**	**3,347**	**3,347**
Other payables and accruals	**10,345**	**10,345**	**10,345**
Amount due to related parties	**6,311**	**6,311**	**6,311**
	19,967	**20,003**	**20,003**

	2009		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Other payables and accruals	7,402	7,402	7,402
Amount due to related parties	6,603	6,603	6,603
	14,005	14,005	14,005

	2008		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Interest-bearing borrowings	13,669	14,018	14,018
Other payables and accruals	16,601	16,601	16,601
Amount due to related parties	5,926	5,926	5,926
	36,196	36,545	36,545

29 Financial risk management and fair values (Cont'd)

(c) Interest rate risk

The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in note 22. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB 346,000 (2009: RMB1,586,000), and there is no impact on other components of the consolidated equity, except for retained profits of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

Substantially most of the revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign currencies.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group		
	2010	2009	2008
	RMB'000	RMB'000	RMB'000
Trade and other receivables	**808**	8,282	1,804
Cash and cash equivalents	**22,377**	7,176	52,424
Trade and other payables	**(50,221)**	(18,681)	(2,365)
Interest-bearing borrowings	**(104,279)**	(84,326)	(87,153)
Gross exposure arising from recognised assets and liabilities	**(131,315)**	(87,549)	(35,290)

29 Financial risk management and fair values (Cont'd)

(d) Currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variables remained constant. The sensitivity analysis includes balances between Group entities where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	The Group			
	2010		2009	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profits RMB'000
RMB	8%	7,879	8%	5,253
	(8%)	(7,879)	(8%)	(5,253)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effect on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

(e) Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

29 Financial risk management and fair values (Cont'd)

(e) Business risk (Cont'd)

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

(f) Commodity price risk

The Group is exposed to price risks arising from any unexpected increase in the prices of corn and soybean meal commodities before committing to purchase of raw materials and any unexpected decreases in the prices of corn and soybean meal commodities following completion of purchases. To protect the Group from the impact of price fluctuations in corn and soybean meal commodities, commodity derivative contracts are entered into with independent futures trading agents. Changes in the fair value of commodity derivative contracts that economically hedge the price fluctuations in corn and soybean meal commodities and for which no hedge accounting is applied are recognised in the consolidated income statement. Further details of these commodity derivative contracts are set out in note 19(iii).

(g) Fair value

(i) Financial instruments carried at fair value

In accordance with IFRS 7 *Financial Instruments: Disclosures*, the Group defines the three levels of fair value hierarchy as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

Fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The Group's only financial instrument measured at fair value is commodity derivative contracts, fair values of which are measured using quoted prices from independent trading agents without adjustments and therefore fall into level 1.

29 Financial risk management and fair values (Cont'd)

(g) Fair value (Cont'd)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

(h) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments carried at other than fair value set out in note 29(g) above:

Short-term financial assets and liabilities

The carrying values of trade and other receivables, amounts due from/to related parties, pledged bank deposits, cash and cash equivalents, trade and other payables, and short-term bank loans are estimated to approximate their fair values based on the nature or short-term maturity of these instruments.

30 Accounting estimates and judgements

Key sources of estimation uncertainty

Note 29(h) contains information about the assumptions relating to the fair value of financial instruments. Note 23(a) contains information about the assumptions relating to the fair value of share options. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The estimate is based on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

30 Accounting estimates and judgements (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(v) Fair value of biological assets and agricultural produce

The Group's biological assets are valued at fair value less costs to sell and the Group's agricultural produce are measured at fair value less costs to sell at the time of lay.

The management considers that there is no active market, market-determined prices or values or professional valuers are not available to carry out the valuation of the biological assets. As such, management uses prices of recent market transactions, market prices for similar assets and sector benchmarks as a basis for measuring fair value. These prices are adjusted to reflect differences in characteristics and/or stages of growth of the assets.

In respect of agricultural produce, the management is of the view that there is no quoted price in the market and the fair value is determined based on the most recent market transaction price in the local area.

(Expressed in Renminbi Yuan unless otherwise indicated)

31 Immediate and ultimate holding company

At 31 December 2010, the directors consider the immediate parent and ultimate controlling party of the Group to be Waverley Star Limited and GWE respectively, which are incorporated in BVI and the Republic of China respectively.

GWE, which is listed on the Taiwan Stock Exchange, produces consolidated financial statements in accordance with accounting principles generally accepted in the Republic of China, which are available for public use.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the financial statements.

Of these developments, the following relate to matters that may be relevant to Group's operations and the financial statements:

	Effective for accounting periods beginning on or after
Revised IAS 24 *Related Party Disclosures*	1 January 2011
IFRS 9, *Financial Instruments*	1 January 2013
Basis for Conclusion on IFRS 9	
Amendments to Other IFRSs and Guidance on IFRS 9	

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Corporate Information

DIRECTORS

Executive Directors

Mr. Han Jia-Hwan *(Chairman)*
Mr. Chen Fu-Shih
Mr. Shu Edward Cho-Shen

Non-executive Directors

Mr. Chao Tien-Shin
Mr. Han Chia-Yau
Mr. Harn Jia-Chen
Mr. Nicholas William Rosa

Independent Non-executive Directors

Dr. Chen Chih
Mr. Liu Fuchun
Mr. Way Yung-Do

AUDIT COMMITTEE

Mr. Way Yung-Do *(Chairman)*
Dr. Chen Chih
Mr. Liu Fuchun

REMUNERATION COMMITTEE

Mr. Liu Fuchun *(Chairman)*
Dr. Chen Chih
Mr. Han Chia-Yau
Mr. Han Jia-Hwan
Mr. Way Yung-Do

NOMINATION COMMITTEE

Dr. Chen Chih *(Chairman)*
Mr. Liu Fuchun
Mr. Harn Jia-Chen
Mr. Han Jia-Hwan
Mr. Way Yung-Do

EXECUTIVE COMMITTEE

Mr. Han Jia-Hwan *(Chairman)*
Mr. Huang Shih-Kun *(appointed on 23 April 2010)*
Mr. Chen Fu-Shih
Mr. Ou Chang-Jou
Miss Chen Li-Chin
Mr. Shu Edward Cho-Shen
Mr. Lee Yi-Ming *(appointed on 28 June 2010)*

COMPANY SECRETARY

Ms. Pang Siu Yin

LEGAL ADVISER

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KPMG
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Corporate Information

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Five Years Financial Summary

	For the year ended 31 December				
	2010	2009	2008	2007	2006
Turnover (RMB million)	**9,552**	8,485	8,961	6,788	5,076
Gross profit (RMB million)	**658**	600	660	575	426
Gross profit margin (%)	**6.90**	7.10	7.40	8.50	8.40
Profit for the year (RMB million)	**147**	140	151	237	131
Net profit margin (%)	**1.50**	1.60	1.70	3.50	2.60
Profit attributable to owners of the Company (RMB million)	**109**	108	136	199	106
Earnings per share	**–**	–	–	–	–
– basic (RMB)	**0.11**	0.11	0.14	0.25	0.14
– diluted (RMB)	**0.11**	0.11	N/A	N/A	N/A

	At 31 December				
	2010	2009	2008	2007	2006
	RMB million	RMB million	RMB million	RMB million	RMB million
Net assets	**1,833**	1,763	1,669	1,553	688
Total assets	**3,058**	2,809	2,523	2,761	1,601
Non-controlling interest	**240**	227	203	152	112
Total liabilities	**1,226**	1,047	853	1,209	913